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Montana



Comprehensive Annual Financial Report June 30, 1999

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Katie C 1999

Montana

By Katie Cordingley

Marvelous
Outstanding
Neat
Terrific
Awesome
Nice
Absolutely gorgeous

MONTANA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
for the fiscal year ended June 30, 1999

Prepared By:

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STATE OF MONTANA
SELECTED STATE OFFICIALS

EXECUTIVE

Marc Racicot

Governor

Judy Martz

Lieutenant Governor

JUDICIAL

J. A. Turnage

Chief Justice

LEGISLATIVE

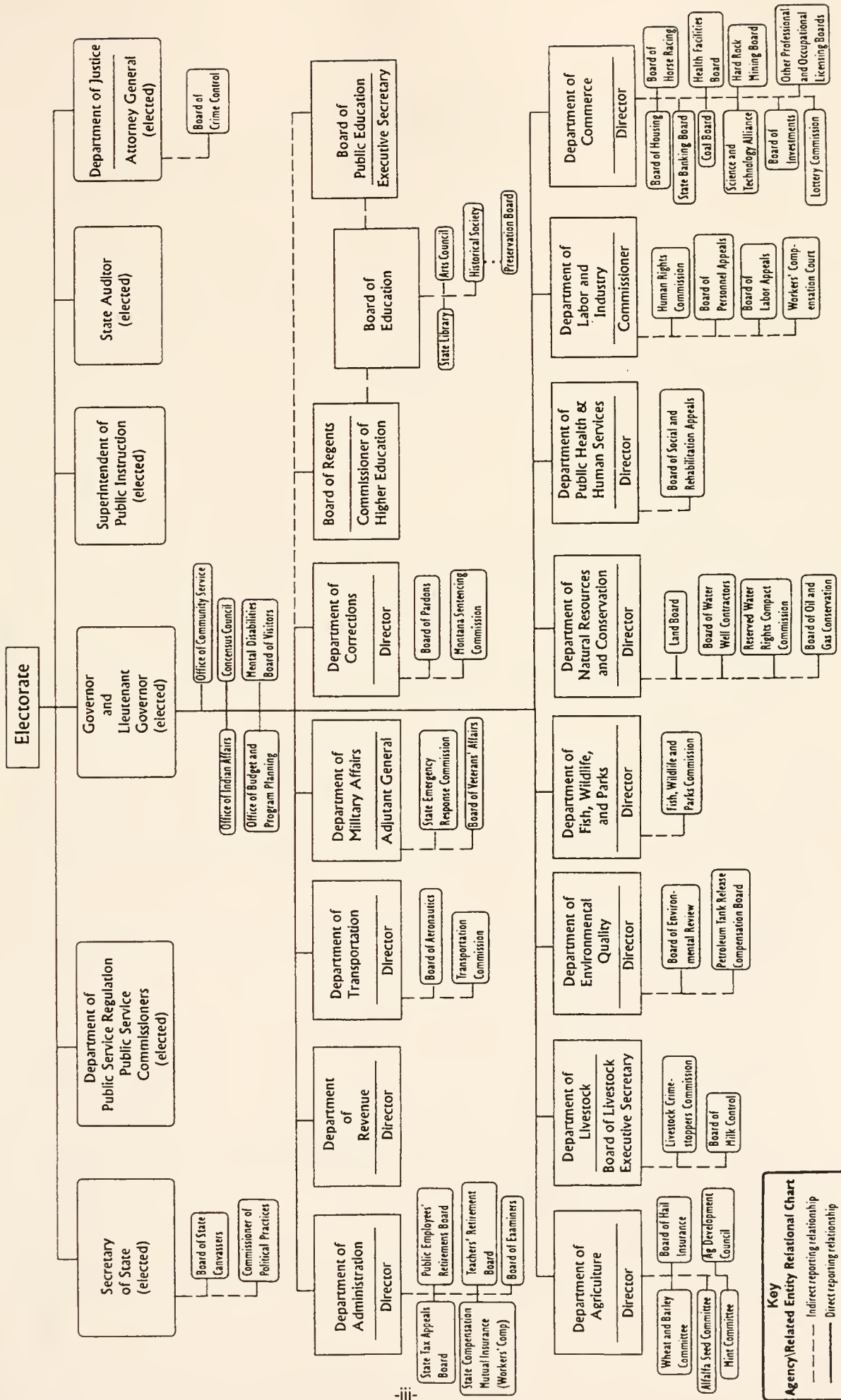
Bruce Crippen

President of the Senate

John Mercer

Speaker of the House

Montana Executive Branch



Key

Agency/Related Entity Relational Chart

— Direct reporting relationship

- - - Indirect reporting relationship

--- Indirect reporting relationship

STATE OF MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1999

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DEPARTMENT OF ADMINISTRATION

DIRECTOR'S OFFICE



MARC RACICOT, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

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HELENA, MONTANA 59620-0101

November 18, 1999

To the Citizens, Governor and Members of the Legislature of the State of Montana:

In accordance with Section 17-2-110, Montana Code Annotated (MCA), I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the State of Montana for the fiscal year ended June 30, 1999. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation rests with the Department of Administration. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the State of Montana. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities are included.

Description of the CAFR

This report and the accompanying financial statements and statistical tables were prepared in accordance with standards set forth by the Governmental Accounting Standards Board (GASB).

This CAFR is divided into three main sections: introductory, financial and statistical. The introductory section includes an organization chart for the State, a table of contents and this transmittal letter. The financial section contains the independent auditor's report, the general purpose financial statements, notes to the financial statements, combining statements by fund type, and other schedules. The statistical section includes financial, economic and demographic data.

This report includes all funds and account groups of those entities that comprise the State of Montana (the primary government) and its component units. The component units are entities that are legally separate from the State but for which the State is financially accountable, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the State is able to impose its will on that organization or (2) there is the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. The following component units are included in the State's financial reporting entity: Housing Authority, Health Facilities Authority, State Compensation Insurance Fund (Old and New), Public Employees' Retirement Board, Teachers' Retirement System and the Colleges, Universities and Colleges of Technology. These component units are discretely presented in the State's financial statements.

Economic Condition and Outlook

The forecast is for Montana's nonfarm labor income growth to average about 3 percent from 1999 to 2001, down from 1998's growth, but well above the 2 percent average growth predicted for the first decade of the new millennium. Montana's nonfarm labor income rose 4.8 percent in 1998, with about 0.5 percent due to a \$65 million wage settlement (after legal fees) at the Columbia Falls Aluminum Company. Excluding this one-time influence, the remaining 4.3 percent increase is still the state's largest since the early 1990's. Stable employment in most basic industries, strong construction, and continued growth in services will be the major contributors to future growth.

The Montana Department of Labor and Industry's Office of Research and Analysis estimates there will be about 196,600 wage and salary and self-employment jobs opening up in Montana from 1996 through 2006. About 94,000 will be generated by industry growth, and the rest will result from replacing workers who leave already existing jobs for various reasons. The occupational group projected to add the most new wage and salary and self-employed jobs to Montana's economy is the service group. The only group projected to show job decline is the agriculture group.

Montana's population has been stable at about 880,000 persons during 1997 and 1998. Net outmigration has replaced the sizable influx of persons during the first half of the 1990's. The population forecast for 2000 has been trimmed to 900,000 (from 920,000) and to 984,000 (from 1,015,000) in 2010. Preliminary reports suggest that Montana will still regain its second Congressional seat in 2000.

Agriculture continues to be Montana's largest basic industry with about 80 percent of the state's agricultural cash receipts coming from cattle, wheat and barley. Montana's agriculture is land extensive, ranking Montana second among all states in the number of acres in farms and ranches, but 31st in the number of farms and ranches. During the past year, agricultural prices have been particularly volatile. In 1998 beef prices declined for a number of reasons, two of the most important being a softening export market for beef and large competitive supplies of pork

and poultry. Wheat prices also declined in 1998, primarily due to increased worldwide production. However, higher government payments for declining wheat prices more than offset the lower market prices. Beef prices are projected to be similar to 1997 levels, which were about \$12 per hundred weight higher for feeder calves, in 1999. In the longer term, the major concerns are the continued competition from pork and poultry, particularly the lower cost of pork production and the aging U.S. population. Wheat prices should be higher in 1999 unless there is another year of unusually high worldwide production.

Much of Montana's manufacturing industry is tied to the state's natural resources. The State's manufacturing sector produces more than \$5 billion in output annually and employs nearly 30,000 workers earning more than \$900 million in annual labor income in 1998. The largest component, wood, paper and furniture products manufacturing, is based primarily on Montana's timber resource and contributes approximately 37 percent of the state's manufacturing labor income and 38 percent of employment. In 1998 Montana's forest products industry performed somewhat better than expected given the expanding Asian financial crisis. In 1998 lumber and plywood production slightly exceeded 1997 levels, but much of the increase was due to mild weather which allowed higher than normal levels of logging and temporarily increased log supplies. However, due to the Asian crisis which created reduced global demands, lumber prices fell 10 to 25 percent below levels in the first half of 1997. In the last half of 1998, Montana's manufacturing industry experienced curtailments and layoffs, most prominently in the wood and paper products and high technology sectors.

Global economies are gradually improving, and wood prices should begin to increase, although timber availability remains a key long-term concern. On the bright side, there are new plants and expansions underway, and a return to increased manufacturing activity is expected when global economic conditions improve.

Major Initiatives

In fiscal year 1999, the General Fund unreserved fund balance rose \$38.5 million over projections due primarily to increased personal income tax and corporation tax revenues.

The Fifty-sixth Legislature enacted a number of tax policy initiatives that will have a significant impact on taxes paid by residential and commercial property owners. Property taxes for businesses, homeowners and light vehicle owners were substantially reduced, and production taxes for oil, natural gas and coal producers for tax year 1999 and beyond were also reduced. In addition, two new taxes, the telecommunications excise tax and electrical energy tax, were enacted by the 1999 Legislature. The State also expects to receive \$66.8 million in tobacco settlement funds during the 2001 biennium.

The legislature approved state school support increases of \$20.4 million in the general fund for the 2001 biennium with funding for an increase in the BASE aid schedule payments, special education and school facility reimbursements and to continue the improving Montana schools project. An increase in BASE aid schedules will raise the maximum budget for each school district. Total funds to support K-12 education increase by \$46.7 for the 2001 biennium. The additional funds are primarily additional federal grants for existing programs, additional teachers to reduce class sizes, school to work initiatives and comprehensive school reform.

The Department of Public Health and Human Services' funding was increased \$176.9 million from the 1999 biennium, \$18.2 million of which is general fund. This increase is due primarily to Medicaid caseload and cost increases, expansion of child care under TANF, increased services for Montanans with disabilities waiting for services and implementation of the Children's Health Insurance Program (CHIP). The Department also terminated its contract for managed mental health care services and is in the process of developing a new plan with the assistance of an oversight advisory council.

The legislature provided \$23.7 million in new general funds above the 1999 biennium funding levels to the Department of Corrections to address a projected increase in adult male and female populations over the next two years. This was accomplished by the increase in the number of pre-release beds available, the addition of 15 probation and parole officers, the addition of more contract beds through regional and privately owned prisons, and expansion of Pine Hills Youth Correctional Facility.

As of July 1, 1999, the financial module of the Statewide Accounting, Budgeting and Human Resource System (SABHRS) will replace the current financial system known as Statewide Budgeting and Accounting System (SBAS). On September 1, 1998, the asset management portion of SABHRS which replaced the Property Accountability and Management System (PAMS) went into live production, and in April 1999, the human resource portion of SABHRS which replaced the Personnel/Payroll/Position Control (P/P/P) System went into live production. In addition, during August 1998, the State prepared its 2001 biennium budget through the new Montana Budget and Revenue System (MBARS). The 1997 legislature approved the sale of \$16.5 million in bonds to pay the initial equipment and planning costs for the project.

Technology Issues for the Year 2000

Every organization is faced with a potential problem on January 1, 2000, when the calendars on computer hardware and software change from the year 1999 to the year 2000 and on certain other dates (for example, but not limited to, leap year) (the "Y2K Problem"). The Y2K Problem occurs when computer hardware and software that use two-digit years misinterpret the year 2000 to be "00", zero, 1900 or some other erroneous date. The actions

that will be initiated by computer hardware and software which are programmed in this manner are uncertain.

The Department of Administration is coordinating the State of Montana's response to the Y2K Computer Problem. The State's approach to the Y2K Problem has been to establish the Year 2000 Compliance Project. This project involves resources from all areas of Information Services Division (ISD), working together with IT personnel from many other agencies to complete this project before the year 2000 deadline. Agencies are responsible for making their own computer systems Y2K compliant. They report progress to ISD via a special web site.

Currently the State of Montana has over 700 systems and 250 million lines of code affected by the Y2K Problem. In October of 1996, a Y2K coordinator was appointed to manage the Year 2000 Compliance Project. As of June 30, 1999, 542 systems, including 171 mission critical systems, had successfully completed the testing stage. The remaining 168 systems are in the remediation stage, and the target date for completion is November 1999.

While institutions are generally aware of the Y2K Problem and are working to address and prevent such problems, no assurances can be made that all such problems will be successfully resolved and that the Y2K Problem will not affect the State of Montana or any other entity.

Financial Information

Montana's Statewide Budgeting and Accounting System (SBAS) is a centrally maintained, fully computerized, double-entry accounting system. SBAS records are computer-edited.

Management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles.

In developing and evaluating the State's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that the above objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

Budgetary restrictions are imposed via appropriations approved by the legislature or established administratively as provided for by state law. Appropriations are required by state law for the General, Special Revenue, and Capital Projects Funds. The level of budgetary control is generally established by fund. SBAS is designed to provide budgetary control by preventing spending in excess of legislative and administrative authority and/or available cash. SBAS also provides for encumbrance accounting as a technique for accomplishing budgetary control.

General Governmental Functions

Revenue sources for general governmental functions, which include the General, Special Revenue, Debt Service, and Capital Projects Funds, increased 7.8 percent from fiscal year 1998 to fiscal year 1999. Revenues from various sources for fiscal year 1999, and the amount and percentage of increases and decreases in relation to prior year revenues, are shown in the following table:

<u>Revenue Source</u>	<u>Amount (in thousands)</u>	<u>1999 Percent of Total</u>	<u>Increase (Decrease) from 1998</u>	<u>Percent Increase (Decrease)</u>
Licenses/Permits	\$ 117,950	4.7%	\$ 1,245	1.1%
Taxes	1,191,607	47.3	70,699	6.3
Charges for Services/Etc.	130,750	5.2	2,452	1.9
Investment Earnings	33,570	1.3	200	.6
Securities Lending Income	6,841	0.3	104	1.5
Sale of Documents/Etc.	6,884	0.3	(1,327)	(16.2)
Rentals/Leases/Royalties	420	-	210	100.0
Contributions/Premiums	4,451	0.2	37	.8
Grants/Contracts/Donations	12,306	0.5	1,493	13.8
Federal	1,010,659	40.0	106,782	11.8
Federal Indirect Cost Recoveries	1,922	0.1	6	.3
Other Revenues	<u>2,837</u>	<u>0.1</u>	<u>1,346</u>	-
Total Revenues	<u>\$2,520,197</u>	<u>100.0</u>	<u>\$ 183,247</u>	

An explanation of significant changes by revenue source follows:

Taxes - The increase in revenues was primarily due to 1) a \$38.9 million increase in individual income tax receipts; 2) a \$10.4 million increase in corporate income tax collections; 3) a \$2.6 million increase in inheritance taxes; 4)

a \$1 million increase in metal mines tax; 5) a \$1.1 million increase in the public contractor tax; and 6) a \$4.9 million increase in fuel taxes.

Sale of Documents/Mdse./Property - The decrease in revenue was primarily due to a decrease in sales of the Montana Code Annotated (MCA); sales of the MCA occur biennially in even years following legislative sessions which occur in odd-numbered years.

Federal - The increase in revenue was primarily due to 1) a \$41 million increase in highway trust fund money distributed to the State; 2) a \$7.1 million increase in federal funds for construction of National Guard facilities; 3) a \$7.7 million increase in Child Care Matching Grant funds; 4) a \$1.8 million increase in HUD Community Development federal funds; 5) a \$2.3 million increase in Unemployment Insurance Reimbursement Grant Funds; 6) a \$5.7 million increase in EPA Drinking Water federal assistance; 7) a \$3.1 million increase in Wastewater Treatment federal grant funds; 8) a \$3 million increase in OJA/Justice Assistance Formula federal funds; and 9) a \$10 million increase in federal funds for the Family Medical Assistance Plan.

Total expenditures for all general governmental functions increased 5.3 percent from fiscal year 1998 to fiscal year 1999. Expenditures by function for fiscal year 1999, and the amount and percentage of increases or decreases in relation to the prior year amounts, are shown in the following table:

<u>Expenditure Function</u>	<u>Amount (in thousands)</u>	<u>1999 Percent of Total</u>	<u>Increase (Decrease) from 1998</u>	<u>Percent Increase (Decrease)</u>
General Government	\$ 135,081	5.4%	\$ 9,469	7.5 %
Public Safety/Corrections	186,839	7.5	9,519	5.4
Transportation	381,684	15.3	49,058	14.7
Health/Social Services	835,084	33.6	24,043	3.0
Education/Cultural	590,729	23.8	(4,243)	(.7)
Resource Development/Recreation	98,417	4.0	8,188	9.1
Economic Development/Assistance	120,476	4.8	10,037	9.1
Securities Lending	6,477	.3	(65)	(1.0)
Debt Service	58,301	2.3	14,419	32.9
Capital Outlay	74,007	3.0	5,293	7.7
Total Expenditures	<u>\$2,487,095</u>	<u>100.0</u>	<u>\$ 125,718</u>	

An explanation of significant changes by expenditure function follows:

Transportation - Expenditure increases were primarily due to an increase in federal grant moneys which allowed the Montana Department of Transportation to do more road construction.

Health/Social Services - The expenditure increase was primarily due to new construction projects on military facilities by Department of Military Affairs as well as an \$8 million increase in primary care funding for Department of Public Health and Human Services and increases in the Women and Infant Children program, Medicaid and child care programs.

Economic Development/Assistance - The expenditure increase was primarily for 1) Community Development Block Grants of \$1.7 million; 2) Forest Reserve revenue distribution increase of \$1.8 million; 3) Community Service grant increase of \$1.8 million; 4) Y2K compliance federal grant of \$1.3 million for the Unemployment Insurance Division; and 5) Welfare to Work Grants of \$2.4 million.

Debt Service - The expenditure increase was primarily due to 1) increased debt service costs due to payment of debt service on General Obligation bonds issued in fiscal year 1999; 2) Department of Justice paid its Natural Resource Damage Litigation Program debt service obligation.

General Fund Balance

The unreserved undesignated fund balance of the General Fund increased from \$44.309 million at June 30, 1998, to \$109.544 million at June 30, 1999. This represents an increase of \$62.235 million, or 140.46 percent.

Enterprise Operations

The State of Montana provides numerous goods and services to the public on a user charge basis, similar to a private business. Profits from two of these operations, the State Liquor Warehouse and the State Lottery, are used to fund other services provided by the State. Following is a summary of the operating results of these two entities in fiscal year 1999:

State Liquor Warehouse - The State regulates the sale, importation, distribution and manufacturing of alcoholic beverages in Montana. A portion of the liquor sales and excise and license taxes collected through this function along with any profits generated through the administration of this regulatory function, including those from the

operation of the liquor stores, are transferred to the General Fund. In fiscal year 1999, \$18.872 million was transferred to the General Fund, compared to \$17.911 million in fiscal year 1998.

State Lottery - The Montana State Lottery was created by the electorate through the passage of Referendum 100 during the 1986 general election. Profits generated by this operation are transferred to the General Fund and appropriated to the Office of Public Instruction (OPI) for distribution to local school districts and the Board of Crime Control (BCC) for grants to counties for youth detention services. Profits for fiscal year 1999 were \$6.8 million with OPI receiving 90.9 percent and BCC 9.1 percent of the net revenue.

Pension Trust Fund Operations

The State contributes to eight retirement systems and is the administrator of one additional system. The two largest systems, in terms of dollars contributed and employees covered, are the Public Employees' Retirement System and the Teachers' Retirement System. Montana implemented GASB Statement 25 - Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined contribution Plans and GASB Statement 27 - Accounting for Pensions by State and Local Governmental Employers in fiscal year 1996. The funded actuarial accrued liability ratio for all systems continues to improve.

The 1997 legislature enacted legislation that establishes a guaranteed annual benefit adjustment (GABA) for enrolled members or surviving beneficiaries under each of the statewide public employee retirement systems. The annual minimum adjustment of 1.5 percent will begin 36 months after a beneficiary's initiation date. The benefit adjustment, when combined with other benefit adjustments already in law, must equal at least 1.5 percent per year. Beneficiaries in the retirement systems for public employees, sheriffs and game wardens are automatically covered by the GABA. Beneficiaries in the retirement systems for highway patrol officers, municipal police officers, firefighters unified and judges may choose to be covered by GABA or by benefits adjustment mechanisms already in place. The legislation establishing the GABA also provides a mechanism to actuarially fund the Judges' Retirement System.

The 1999 legislature enacted legislation that also establishes a guaranteed annual benefit adjustment (GABA) for certain benefit recipients in the Teachers' Retirement System. A benefit recipient is eligible for the minimum benefit adjustment of 1.5 percent if the retiree's most recent retirement effective date is at least 36 months prior to January 1 of the year in which the adjustment is to be made.

Debt Administration

Montana receives excellent bond ratings from both Moody's Investors Service (Aa3) and Standard & Poor's Corporation (AA-). State debt may be authorized either by a two-thirds vote of the members of each house of the legislature or by a favorable vote of a majority of the State's electors voting thereon. There is no constitutional limit on the amount of debt that may be incurred by the State. The Montana Constitution does, however, prohibit the incurring of debt to cover deficits caused by appropriations exceeding anticipated revenue. General obligation debt increased from \$187.005 million at June 30, 1998, to \$197.02 million at June 30, 1999.

The ratio of general obligation debt to assessed valuation and the amount of general obligation debt per capita are:

	<u>Amount</u> <u>(in thousands)</u>	<u>Ratio of</u> <u>Debt to 1999</u> <u>Assessed Value</u>	<u>State Debt</u> <u>Per Capita*</u>
General Obligation Debt	\$197,020	0.49%	\$223.89

* Based on 1998 estimated Montana population.

Cash Management

The uniform investment program established by the 1972 Montana Constitution directs that the Board of Investments has sole authority to invest State funds. The Board operates under the "prudent person principle" which requires the Board to 1) discharge its duties in the same manner as that of a prudent person acting in a like capacity with the same resources and aims; 2) diversify the holdings of each fund to minimize the risk of loss and maximize the rate of return; and 3) discharge duties solely in the interest of and for the benefit of the funds managed. Permissible investments include bonds, notes, debentures, equipment obligations, common stock (pension trust and higher education funds only), commercial paper, bankers' acceptances, interest bearing deposits in Montana financial institutions, real estate and any other investment in a Montana business that continues existing jobs or creates new jobs. These investments are subject to statutory restrictions for quality and size of holdings.

Unless otherwise provided by law, treasury cash is pooled for investment regardless of the fund from which it is deposited and the pool's investment earnings are credited to the General Fund. The Board reported total investment income from investments under its management of \$392.1 million, an increase of 2.0 percent from the \$384.3 million earned last year. The book value of Board-managed investments increased by approximately \$343 million or 6.5 percent to \$5.65 billion at fiscal year-end 1999. The Board publishes an annual audited report of all its investment activity. That report may be referenced for more in-depth investment information.

Risk Management

The State of Montana provides benefit coverage for injured state employees through participation in the State Compensation Insurance Fund (State Fund). The State Fund is a nonprofit, independent public corporation which is managed and controlled by a seven-member board of directors. The board members are appointed by the Governor for four-year terms. Funding is primarily derived from the premiums paid by policyholders.

At June 30, 1999, assets for the State Fund - Old exceeded liabilities by \$14.4 million. The actuarially determined liability for unpaid claims, including those which were incurred but not reported, decreased to \$130.1 million. This represents a decrease of \$64.3 million in estimated claims liability from fiscal year 1998. The percentage of this liability belonging to the state as a participant is unknown. For the State Fund - New, assets exceeded liabilities by \$144.4 million at June 30, 1999. The actuarially determined liability for unpaid claims, including those which were incurred but not reported, was \$303.500 million presented at face value. In prior years, the unpaid claims and claim adjustments on indemnity losses were stated at their net present value in the financial statements.

The State maintains self-insurance plans for employee comprehensive medical and dental coverage and state property. Under the State Employee Group Benefits Plan the State assumes all the risk for claims incurred by plan members including State employees, elected officials, retirees and their dependents, with three exceptions. The three outside insured products are: vision care insured by the Vision Service Plan Insurance Company, the Yellowstone Community Health Plan, an insured community health option (CHO) available to state employees in four counties in the Billings area and the New West Plan, an insured CHO available to state employees in several counties in the Missoula, Deer Lodge, Helena and Billings areas. Premiums are collected through payroll deductions, deductions through the Public Employees' Retirement System and self-payment. For the period ending June 30, 1999, the plan reported retained earnings of \$23.74 million, a decrease of \$4.8 million over June 30, 1998.

The Montana University System (MUS) Group Benefits Plan offers medical, dental, and vision insurance coverage to employees of the Montana University System, the Montana Higher Education Student Assistance Corporation (MHESAC), and the State Bar of Montana, as well as their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured. Blue Cross/Blue Shield is the claims administrator for the plan. Managed Care Montana (Blue Cross/Blue Shield of Montana) has a contract for utilization management. The utilization management program consists of hospital pre-authorization, case management and medical necessity review. For the period ending June 30, 1999, the plan reported retained earnings of \$4.9 million, an increase of \$4.6 million over June 30, 1998.

The State's property insurance plan provides coverage for general liability, automobile liability, automobile physical damage, and state-administered foreclosure housing units. The State self-insures the \$150,000 deductible per occurrence for most property insurance as well as various deductible amounts for other state property. The state also self-insures against losses of equipment below \$150,000 of value, with state agencies paying the first \$1,000. Commercial property insurance protects over \$2.1 billion of state-owned buildings and contents. The flood and earthquake liability limit is \$400 million per occurrence with a \$1.0 million deductible for earthquakes and a \$0.5 million deductible for floods. Premiums for the plan are collected from all State agencies, including component units. Based on the most recent actuarial report prepared by Tillinghast and issued for the period July 1, 1991 through June 30, 1999, a liability of \$17.1 million, which is discounted and assumes an annual rate of 4 percent, is recorded in the accompanying financial statements for estimated claims including those incurred but not reported. This represents an increase of \$3.3 million in estimated claims liability from fiscal year 1998.

Independent Audit

The financial statements contained in Montana's Comprehensive Annual Financial Report were audited in accordance with generally accepted auditing standards by the Legislative Audit Division. The Legislative Auditor is appointed by and reports to the Legislative Audit Committee. The Deputy Legislative Auditor issued an unqualified opinion on the State's financial statements for fiscal year 1999.

Certificate of Achievement

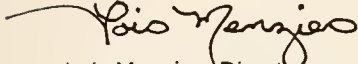
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Montana for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1998. This was the twelfth consecutive year that the State received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement Program requirements; we are submitting it to GFOA to determine its eligibility for another Certificate.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the entire staff of the Accounting Bureau and the cooperation of accounting personnel at the individual State agencies. I would like to express my appreciation to Accounting Bureau and other agency personnel who participated in the preparation of this document. I would also like to thank the legislature and all State agencies for their interest and support in planning and conducting the financial operations of Montana in a professionally responsible and progressive manner.

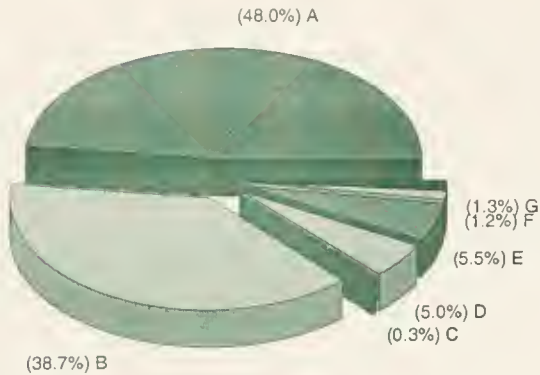
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lois Menzies", written in a cursive style.

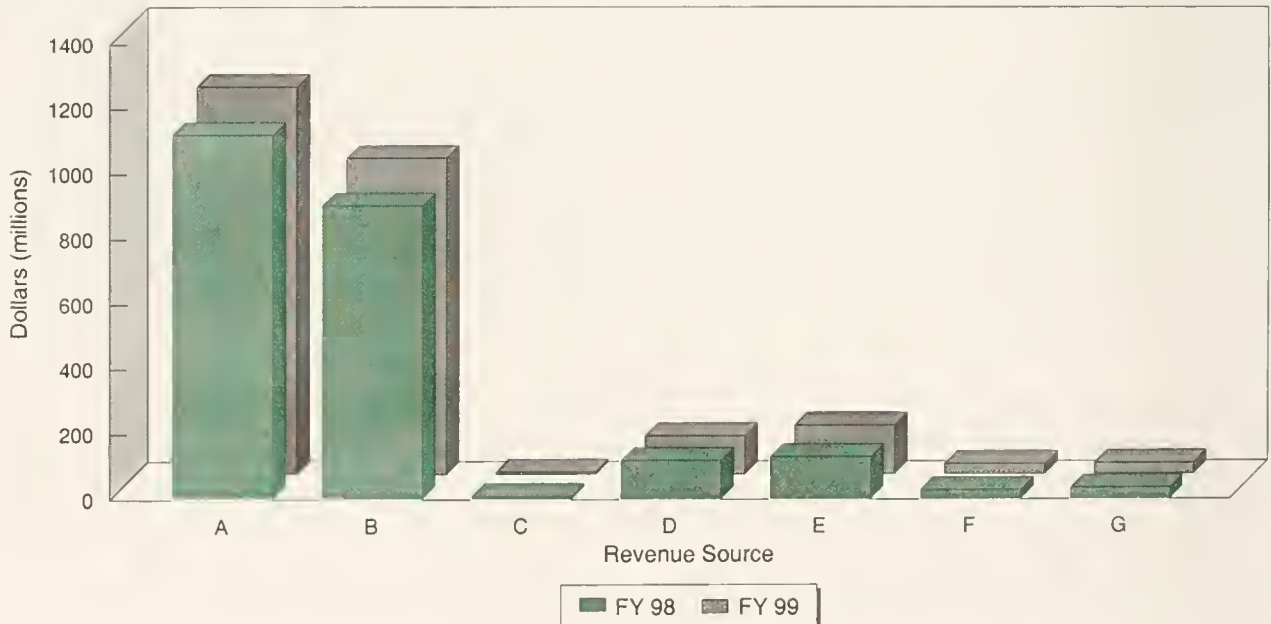
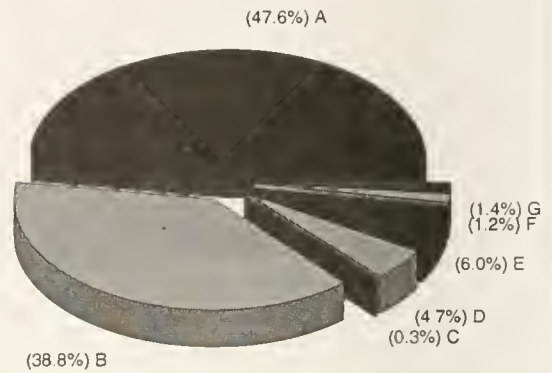
Lois Menzies, Director
Department of Administration

State of Montana Revenues by Source All Governmental Fund Types

FY 98



FY 99

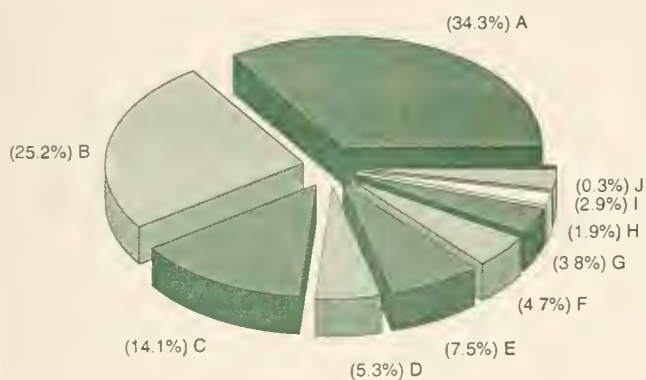


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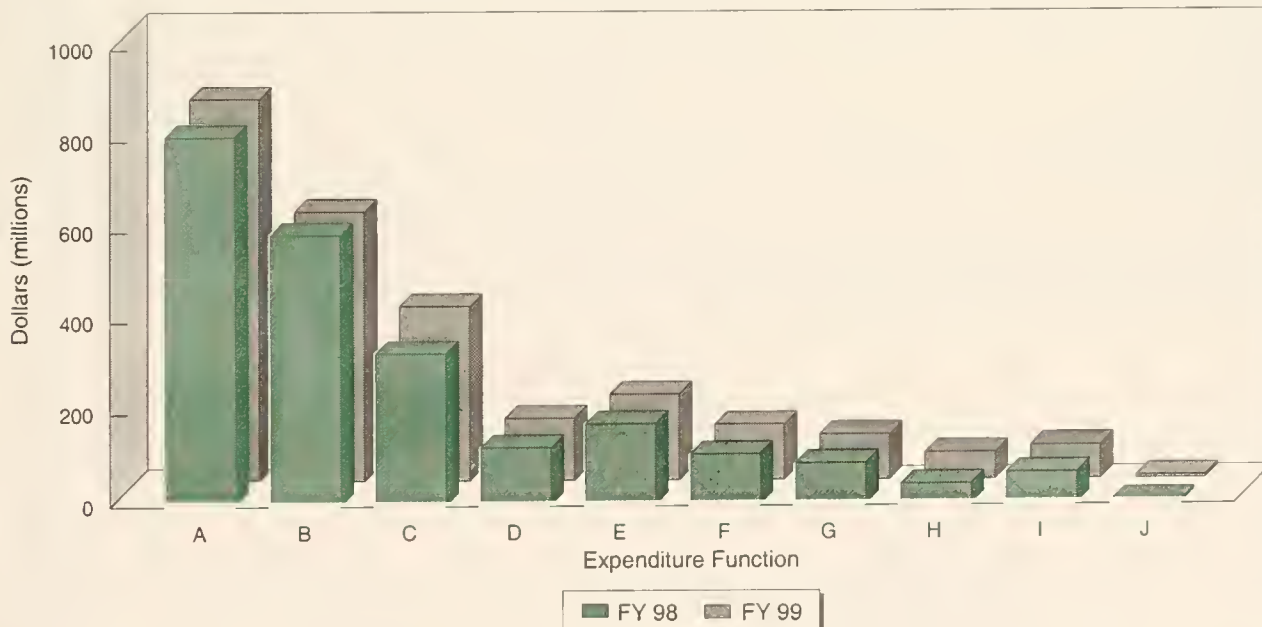
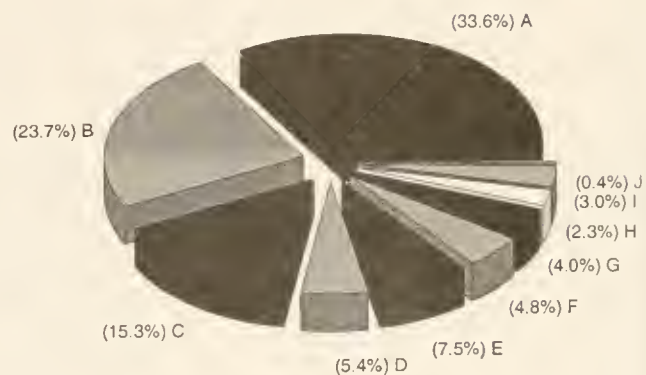
- (A) Taxes
- (B) Federal
- (C) Securities Lending Income
- (D) Licenses/Permits
- (E) Charges for Services/Fines/Forfeits
- (F) Other Revenues (includes contributions, premiums, rentals, leases, royalties, grants, contracts, donations, federal indirect cost recoveries and sale of documents, merchandise and property)
- (G) Investment Earnings

State of Montana Expenditures by Function All Governmental Fund Types

FY 98



FY 99



Legend:

(A) Health/Social Services
(B) Educational/Cultural
(C) Transportation
(D) General Government

(E) Public Safety/Corrections
(F) Economic Development/Assistance
(G) Resource Dev/Recreation
(H) Debt Service

(I) Capital Outlay
(J) Securities Lending

Certificate of Achievement for Excellence in Financial Reporting

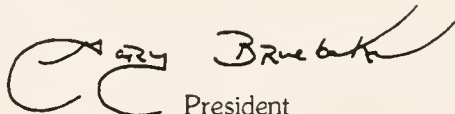
Presented to

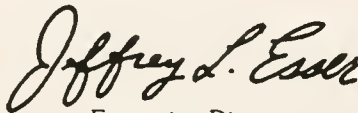
State of
Montana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.




President


Executive Director

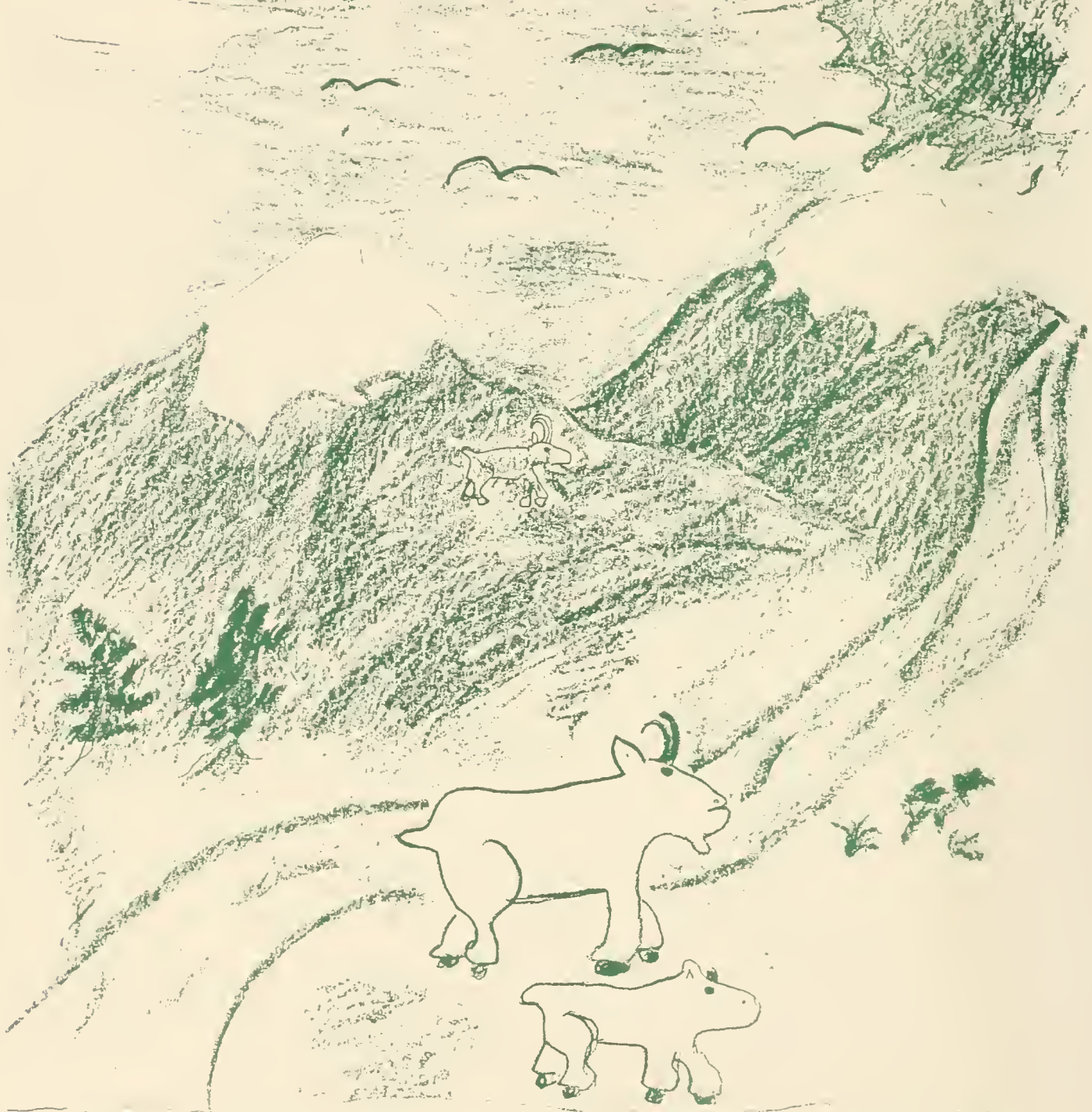
Montana



General Purpose Financial Statements

The following financial statements present the financial position of all fund types and account groups and the operating results of all fund types.

Why I Like Montana



There's plenty of food, space, clean air, and water for future generations!

by. Sam Hay



LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Combined Balance Sheet All Fund Types, Account Groups and Discretely Presented Component Units, Combining Balance Sheet - Component Units - Proprietary Fund Types, Combining Statement of Plan Net Assets - Component Units - Pension Trust Funds, and Combining Balance Sheet - Component Units - All Higher Education Funds of the state of Montana as of June 30, 1999, and the related Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds, Combined Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Reconciliation of Budget and Actual (Budgetary Basis) to GAAP Basis - Unreserved Fund Balance General and Special Revenue Fund Types, Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances - All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units, Combining Statement of Revenues, Expenses and Changes in Retained Earnings - Component Units - Proprietary Fund Types, Statement of Changes in Plan Net Assets - Investment Trust Fund, Combining Statement of Changes in Plan Net Assets - Component Units - Pension Trust Funds, Statement of Changes in Fund Balance - Component Units - All Higher Education Funds, Statement of Current Funds Revenues, Expenditures, Transfers and Other Changes - Component Units - Higher Education Fund Type and the related Combined Statement of Cash Flows - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units and Combining Statement of Cash Flows - Component Units - Proprietary Fund Types for the year then ended. These general purpose financial statements are the responsibility of the state of Montana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Montana State Lottery, which statements reflect total assets of 9.75 percent, liabilities of 12.68 percent, and total revenues/transfers-in and expenses/transfers-out of 29.47 percent and 29.59 percent, respectively, in the Enterprise Fund. This financial activity was audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montana State Lottery, is based solely upon the report of another auditor.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of another auditor provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of another auditor, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the state of

Montana as of June 30, 1999, and the results of its operations, the cash flows of its proprietary and nonexpendable trust fund types and discretely presented component units, the changes in plan net assets of the investment trust fund, and its component unit pension trust funds and the changes in fund balance and current funds revenues, expenditures, transfers and other changes of the component unit higher education funds for the year then ended in conformity with generally accepted accounting principles.

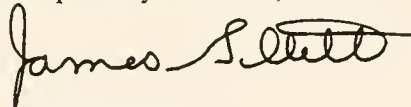
In accordance with *Government Auditing Standards*, we will issue our report dated November 18, 1999, on our consideration of the state of Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report will be included in the state's Single Audit Report.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group statements/schedules-primary government listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the state of Montana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based upon our audit and the report of another auditor, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The Year 2000 Issues (Y2K) is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The introductory and statistical sections listed in the table of contents were not audited by us and, accordingly, we express no opinion on them.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Gillett", with a stylized flourish at the end.

James Gillett, CPA
Deputy Legislative Auditor

November 18, 1999

State of Montana
Combined Balance Sheet
All Fund Types, Account Groups and Discretely Presented Component Units
June 30, 1999
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
ASSETS/OTHER DEBITS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
Assets:						
Cash/Cash Equivalents (Note 4)	\$ 141,369	\$ 223,737	\$ 32,424	\$ 58,035	\$ 23,378	\$ 19,981
Receivables (Net of Uncollectibles)	86,575	72,677	1,632	1,303	20,399	672
Interfund Loans Receivable (Note 13)	23,760	61,786	-	-	165	-
Due from Other Governments	5,701	137,607	-	-	-	20
Due from Primary Government (Note 13)	-	-	-	-	-	-
Due from Component Units (Note 13)	10,394	317	-	108	128	2,072
Due from Other Funds (Note 13)	37,937	21,275	230	681	517	5,999
Inventories	3,184	34,318	-	-	6,623	870
Equity in Pooled Investments (Note 4)	-	9,511	-	-	-	-
Long-Term Loans/Notes Receivable	-	56,221	34,910	-	53,943	-
Advances to Other Funds (Note 13)	9,525	136	-	-	-	-
Investments (Note 4)	-	47,028	2,995	-	9,998	33,946
Securities Lending Collateral (Note 4)	-	10,596	1,129	2,793	2,365	13,107
Land	-	-	-	-	800	236
Buildings/Improvements	-	-	-	-	5,484	561
Equipment	-	-	-	-	6,691	127,234
Other Fixed Assets	-	-	-	-	1,147	-
Construction in Progress	-	-	-	-	352	1,175
Accumulated Depreciation	-	-	-	-	(5,783)	(70,179)
Intangible Assets	-	-	-	-	1,299	598
Deferred Charges	-	-	-	-	963	-
Other Assets	4,580	3,030	-	31	2,150	197
Other Debits:						
Amount Available - Debt Service Funds	-	-	-	-	-	-
Resources to be Provided in Future Years	-	-	-	-	-	-
TOTAL ASSETS/OTHER DEBITS	\$ 323,025	\$ 678,239	\$ 73,320	\$ 62,951	\$ 130,619	\$ 136,489

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND TYPES		ACCOUNT GROUPS		COMPONENT UNITS		
TRUST AND AGENCY		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	PROPRIETARY FUND TYPES	PENSION TRUST FUNDS	HIGHER EDUCATION FUNDS
\$ 792,169	\$ -	\$ -	\$ -	\$ 42,227	\$ 156,370	\$ 113,809
90,942	-	-	-	28,394	32,838	38,142
-	-	-	-	-	70	3,580
12	-	-	-	-	-	11,847
-	-	-	-	1,934	8,634	2,616
442	-	-	-	-	-	-
15,666	-	-	-	294	7,032	30,687
-	-	-	-	33	-	4,090
998,786	-	-	-	-	4,892,245	3,826
3,124	-	-	-	466,133	446	258
30	-	-	-	-	-	319
252,838	-	-	-	707,068	379,495	3,299
194,316	-	-	-	98,956	408,809	4,107
51,260	62,186	-	-	-	60	13,511
-	328,806	-	-	-	435	503,493
-	63,478	-	-	2,658	152	100,797
-	49,650	-	-	-	-	88,216
-	38,134	-	-	-	-	67,921
-	-	-	-	(1,543)	(370)	-
-	-	-	-	7,052	660	3,271
-	-	-	-	5,805	-	2,231
19,006	-	-	-	939	-	7,128
-	-	35,841	-	-	-	-
-	-	377,886	-	-	-	-
\$ 2,418,591	\$ 542,254	\$ 413,727	\$ 1,359,950	\$ 5,886,876	\$ 1,003,148	

(Continued on Next Page)

STATE OF MONTANA
Combined Balance Sheet - Continued
All Fund Types, Account Groups and Discretely Presented Component Units
June 30, 1999
(Expressed in Thousands)

LIABILITIES/EQUITY/OTHER CREDITS	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
Liabilities:						
Accounts Payable	\$ 102,691	\$ 151,835	\$ 54	\$ 4,021	\$ 4,959	\$ 4,278
Lottery Prizes Payable	-	-	-	-	3,357	-
Interfund Loans Payable (Note 13)	-	84,775	-	218	244	190
Advances from Other Funds (Note 13)	-	9,691	-	-	-	-
Due to Other Governments	30,795	7,175	-	-	11	-
Due to Primary Government (Note 13)	-	-	-	-	-	-
Due to Component Units (Note 13)	7,123	2,232	-	45	5	51
Due to Other Funds (Note 13)	19,599	26,988	1,386	1,237	10,672	2,469
Deferred Revenue	32,036	26,143	-	-	3,324	1,012
Lease/Installment Purchase Payable (Note 11)	-	-	-	-	5,025	4,728
Bonds/Notes Payable (Net) (Note 12)	-	-	-	-	65,034	4,709
Property Held in Trust	756	2,770	-	6	272	36
Securities Lending Liability (Note 4)	-	10,596	1,129	2,793	2,365	13,107
Compensated Absences Payable (Note 1)	-	-	-	-	800	3,337
Estimated Insurance Claims (Note 9)	-	-	-	-	2,306	25,881
Early Retirement Benefits Payable (Note 12)	-	-	-	-	-	-
Arbitrage Rebate Tax Payable	-	-	-	-	171	-
Other Liabilities	-	13	-	-	-	-
Total Liabilities	193,000	322,218	2,569	8,320	98,545	59,798
Equity/Other Credits:						
Investment in General Fixed/Plant Assets	-	-	-	-	-	-
Contributed Capital (Note 17)	-	-	-	-	4,413	7,335
Retained Earnings:						
Reserved for Debt Service	-	-	-	-	-	-
Unreserved	-	-	-	-	27,661	69,356
Fund Balances:						
Reserved for Encumbrances	3,079	30,417	-	994	-	-
Reserved for Inventories	3,184	22,715	-	-	-	-
Reserved for Long-Term Loans	-	56,221	34,910	-	-	-
Reserved for Long-Term Advances (Note 13)	9,525	136	-	-	-	-
Reserved for Debt Service	-	-	6,248	-	-	-
Reserved for Trusts/Endowments (Note 15)	-	6,552	-	-	-	-
Reserved for Federal Loans	-	10,586	-	-	-	-
Reserved for Construction	-	-	-	-	-	-
Reserved for Pool Participants	-	-	-	-	-	-
Reserved for Employee Pension Benefits	-	-	-	-	-	-
Unreserved, Designated	4,563	2,463	29,593	-	-	-
Unreserved, Undesignated	109,674	226,931	-	53,637	-	-
Total Equity/Other Credits	130,025	356,021	70,751	54,631	32,074	76,691
TOTAL LIABILITIES/EQUITY/OTHER CREDITS	\$ 323,025	\$ 678,239	\$ 73,320	\$ 62,951	\$ 130,619	\$ 136,489

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND TYPES		ACCOUNT GROUPS		COMPONENT UNITS		
TRUST AND AGENCY		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	PROPRIETARY FUND TYPES	PENSION TRUST FUND	HIGHER EDUCATION FUNDS
\$ 13,457	\$	-	\$ -	\$ 5,324	\$ 1,143	\$ 31,915
-		-	-	-	-	-
284		-	-	-	70	3,580
-		-	-	-	-	319
-		-	-	-	28	617
-		-	-	10,837	181	2,443
3,728		-	-	-	-	-
27,384		-	-	286	341	29,956
29		-	-	19,819	54	8,809
-		-	1,380	-	227	1,157
-		-	360,368	529,500	-	217,784
213,727		-	-	425	20	4,282
194,316		-	-	98,956	408,809	4,107
-		-	50,941	973	172	32,844
-		-	-	433,564	-	-
-		-	231	-	-	58
-		-	807	101	-	-
2,345		-	-	-	-	-
455,270		-	413,727	1,099,785	411,045	337,871
-		542,254	-	-	-	572,322
-		-	-	154,468	-	-
-		-	-	99,646	-	-
-		-	-	6,051	-	-
-		-	-	-	-	577
-		-	-	-	-	-
3,111		-	-	-	-	-
-		-	-	-	-	-
-		-	-	-	-	2,236
1,320,410		-	-	-	-	34,925
-		-	-	-	-	-
-		-	-	-	-	5,595
468,787		-	-	-	-	-
-		-	-	-	5,475,831	-
-		-	-	-	-	-
171,013		-	-	-	-	49,622
1,963,321		542,254	-	260,165	5,475,831	665,277
\$ 2,418,591	\$	542,254	\$ 413,727	\$ 1,359,950	\$ 5,886,876	\$ 1,003,148

STATE OF MONTANA
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST
REVENUES:					
Licenses/Permits	\$ 29,383	\$ 88,567	\$ -	-	\$ -
Taxes:					
Natural Resource	20,423	31,610	848	4,524	-
Individual Income	483,032	-	-	-	-
Corporate Income	78,943	10,681	-	-	-
Property	201,635	8,109	-	-	-
Fuel	-	181,090	-	-	-
Payroll	446	-	-	-	-
Other (Note 1)	100,608	67,743	-	1,915	-
Charges for Services/Fines/Forfeits/Settlements	25,337	122,915	1,194	730	95
Investment Earnings	17,060	8,309	7,096	1,104	23,791
Securities Lending Income	5,989	511	235	106	811
Sale of Documents/Mdse./Property	296	3,882	2,706	-	-
Rentals/Leases/Royalties	63	357	-	-	-
Contributions/Premiums	-	4,451	-	-	69,987
Grants/Contracts/Donations	1,256	11,050	-	-	1,132
Federal	17,687	953,124	132	-	3,744
Federal Indirect Cost Recoveries	80	1,842	-	-	-
Other Revenues	1,872	3,310	-	48	-
Total Revenues	984,110	1,497,551	12,211	8,427	99,560
Intrafund Revenues	(56)	(9,227)	-	-	-
Net Revenues	984,054	1,488,324	12,211	8,427	99,560
EXPENDITURES:					
Current:					
General Government	65,100	57,677	6	12,300	7,161
Public Safety/Corrections	104,676	81,609	-	555	-
Transportation	384	381,300	-	-	18
Health/Social Services	227,558	610,111	-	-	-
Education/Cultural	484,252	106,607	-	-	119
Resource Development/Recreation	22,453	75,915	-	49	535
Economic Development/Assistance	15,567	103,987	-	922	60,188
Debt Service:					
Principal Retirement	1,120	10,940	25,014	-	-
Interest/Fiscal Charges	1,489	2,850	16,853	35	-
Capital Outlay	1,831	26,201	-	45,975	253
Securities Lending	5,664	488	224	101	777
Total Expenditures	930,094	1,457,685	42,097	59,937	69,051
Intrafund Expenditures	(56)	(9,227)	-	-	-
Net Expenditures	930,038	1,448,458	42,097	59,937	69,051
Excess of Rev. Over (Under) Expend	54,016	39,866	(29,886)	(51,510)	30,509
OTHER FINANCING SOURCES (USES):					
Loan Proceeds	-	2,709	-	-	-
Bond Proceeds	-	4,103	-	16,990	-
Inception of Lease/Installment Contract	85	111	-	-	-
General Fixed Asset Sale Proceeds	87	68	-	-	-
Operating Transfers In (Note 13)	87,600	36,130	29,298	9,687	-
Transfers from Component Units (Note 13)	10,000	-	-	-	-
Operating Transfers Out (Note 13)	(10,022)	(51,598)	(2,247)	(3,825)	(332)
Operating Transfers to Component Units (Note 13)	(104,135)	(14,728)	-	-	-
Total Other Financing Sources (Uses)	(16,385)	(23,205)	27,051	22,852	(332)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	37,631	16,661	(2,835)	(28,658)	30,177
FUND BALANCES - JULY 1 - as Previously Reported	88,732	332,337	73,472	83,461	320,964
Prior Period Adjustments (Note 3)	2,519	8,459	12	-	(1)
FUND BALANCES - July 1 - As Restated	91,251	340,796	73,484	83,461	320,963
Increase (Decrease) in Inventories	1,143	(1,504)	-	-	-
Residual Equity Transfers (Note 13)	-	68	102	(172)	-
FUND BALANCES - JUNE 30	\$ 130,025	\$ 356,021	\$ 70,751	\$ 54,631	\$ 351,140

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
Combined Statement of Revenues, Expenditures, Other Financing Sources (Uses) and
Reconciliation of Budget and Actual (Budgetary Basis) to GAAP Basis - Unreserved Fund Balance
General and Special Revenue Fund Types
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES:						
Licenses/Permits	\$ 27,709	\$ 29,291	\$ 1,582	\$ 87,674	\$ 89,114	\$ 1,440
Taxes:						
Natural Resource	21,831	20,112	(1,719)	47,164	29,378	(17,786)
Individual Income	405,382	485,077	79,695	-	-	-
Corporate Income	63,677	78,943	15,266	12,000	9,482	(2,518)
Property	236,701	201,762	(34,939)	8,519	5,152	(3,367)
Fuel	-	-	-	182,932	181,090	(1,842)
Payroll	563	446	(117)	-	-	-
Other	93,546	103,687	10,141	60,799	68,648	7,849
Charges for Services/Fines/Forfeits	21,534	22,884	1,350	83,802	85,723	1,921
Investment Earnings	12,411	16,107	3,696	5,352	4,684	(668)
Sale of Documents/Merchandise/Property	256	295	39	4,561	3,797	(764)
Rentals/Leases/Royalties	92	43	(49)	159	302	143
Contributions/Premiums	-	-	-	4,400	4,451	51
Grants/Contracts/Donations	1,086	1,255	169	11,922	8,017	(3,905)
Federal	21,747	17,921	(3,826)	999,505	904,924	(94,581)
Federal Indirect Cost Recoveries	50	55	5	1,776	1,839	63
Other Revenues	140	764	624	1,260	2,595	1,335
Total Revenues	906,725	978,642	71,917	1,511,825	1,399,196	(112,629)
EXPENDITURES:						
Current:						
General Government	68,476	65,098	3,378	85,147	56,870	28,277
Public Safety/Corrections	106,011	104,876	1,135	120,384	81,459	38,925
Transportation	384	384	-	398,667	396,815	1,852
Health/Social Services	229,215	228,246	969	611,992	548,117	63,875
Education/Cultural	493,052	484,252	8,800	115,040	106,276	8,764
Resource Development/Recreation	23,453	22,190	1,263	100,230	82,176	18,054
Economic Development/Assistance	16,225	15,526	699	132,871	110,103	22,768
Debt Service:						
Principal Retirement	1,144	1,144	-	1,142	1,141	1
Interest/Fiscal Charges	1,776	1,776	-	417	401	16
Capital Outlay	1,911	1,878	33	27,512	24,132	3,380
Total Expenditures	941,647	925,370	16,277	1,593,402	1,407,490	185,912
Excess of Rev Over (Under) Expend.	(34,922)	53,272	88,194	(81,577)	(8,294)	73,283
OTHER FINANCING SOURCES (USES):						
Loan Proceeds	-	-	-	3,165	3,103	(62)
Bond Proceeds	-	286	286	6,565	5,104	(1,461)
General Fixed Asset Sale Proceeds	100	87	(13)	80	43	(37)
Operating Transfers In	95,581	49,415	(46,166)	27,860	20,127	(7,733)
Transfers from Component Units	10,000	10,000	-	-	-	-
Operating Transfers Out	(14,769)	(10,097)	4,692	(85,229)	(21,835)	63,394
Transfers to Component Units	(104,135)	(104,135)	-	(14,728)	(14,728)	-
Total Other Financing Sources (Uses)	(13,243)	(54,444)	(41,201)	(62,287)	(8,186)	54,101
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (Budgetary Basis)	(48,165)	(1,172)	46,993	(143,864)	(16,480)	127,384
RECONCILIATION OF BUDGETARY/GAAP REPORTING:						
1. Adjust expenditures for encumbrances	-	(154)	(154)	-	28,515	28,515
2. Adjustments for nonbudgeted activity	-	38,632	38,632	-	4,603	4,603
3. Intrafund elimination - Revenues/Transfers In	-	(77)	(77)	-	(81,556)	(81,556)
4. Intrafund elimination - Expenditures/Transfers Out	-	77	77	-	81,556	81,556
5. Securities Lending Income	-	5,989	5,989	-	511	511
6. Securities Lending Costs	-	(5,664)	(5,664)	-	(488)	(488)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (GAAP Basis)	(48,165)	37,631	85,796	(143,864)	16,661	160,525
UNRESERVED FUND BALANCES - JULY 1	73,290	73,290	-	229,218	207,933	(21,285)
Residual Equity Transfers (Note 13)	-	-	-	(257)	68	325
Prior Period Adjustments (Note 3)	-	2,519	2,519	-	8,459	8,459
Decrease (Increase):						
Encumbrances Reserve	-	382	382	-	6,234	6,234
Advances to Other Funds Reserve	-	406	406	-	127	127
Long-Term Loans Reserve	-	9	9	-	(11,734)	(11,734)
Trusts/Endowments Reserve (Note 15)	-	-	-	-	1,646	1,646
UNRESERVED FUND BALANCES - JUNE 30	\$ 25,125	\$ 114,237	\$ 89,112	\$ 85,097	\$ 229,394	\$ 144,297

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
Statement of Changes in Plan Net Assets
Investment Trust Fund
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	STIP TRUST
ADDITIONS:	
Contributions	\$ 728,925
Net Investment Earnings:	
Investment Earnings	23,102
Securities Lending Income	1,609
Securities Lending Expense	(1,533)
Total Additions	<u>752,103</u>
DEDUCTIONS:	
Local Government Stip Distributions	<u>714,440</u>
Net Increase (Decrease)	37,663
Net Assets Held in Trust for Pool Participants - July 1	431,124
Net Assets Held in Trust for Pool Participants - June 30	<u>\$ 468,787</u>

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances

All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	COMPONENT UNITS
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PROPRIETARY FUND TYPES
OPERATING REVENUES:				
Charges for Services	\$ 77,577	\$ 73,066	\$ 5,901	\$ 423
Investment Earnings	1,387	2,310	27,811	32,346
Securities Lending Income	140	581	8,291	5,319
Financing Income	3,320	-	-	32,210
Contributions/Premiums	7,410	80,136	-	70,082
Grants/Contracts/Donations	28	-	1	-
Taxes	11,029	-	20,261	28,891
Rentals/Leases/Royalties	-	-	21,027	-
Other Operating Revenues	2,185	588	9	30
Total Operating Revenues	103,076	156,681	83,301	169,301
Intrafund Revenues	-	(62)	-	-
Net Operating Revenues	103,076	156,619	83,301	169,301
OPERATING EXPENSES:				
Personal Services	6,649	24,971	-	10,043
Contractual Services	1,637	11,771	-	7,013
Supplies/Materials	32,184	13,282	-	814
Benefits/Claims (Note 3)	8,422	75,402	-	(2,545)
Depreciation	542	8,547	-	257
Amortization	50	117	-	376
Utilities/Rent	465	5,645	-	200
Communications	979	10,595	-	524
Travel	175	324	1	183
Repair/Maintenance	716	5,448	-	425
Grants	-	-	13	-
Lottery Prize Payments	15,050	-	-	-
Lottery Ticket Expense	4,965	-	-	-
Interest Expense	3,228	625	-	35,133
Securities Lending Expense	133	551	7,948	5,087
Dividends	-	-	-	9,992
Arbitrage Rebate Tax	(299)	-	-	34
Other Operating Expenses	1,636	1,626	2	1,835
Total Operating Expenses	76,532	158,904	7,964	69,371
Intrafund Expenses	-	(62)	-	-
Net Operating Expenses	76,532	158,842	7,964	69,371
Operating Income (Loss)	26,544	(2,223)	75,337	99,930
NONOPERATING REVENUES (EXPENSES):				
Gain (Loss) Sale of Fixed Assets	(1)	(53)	-	(1)
Increase (Decrease) Value of Livestock	(38)	-	-	-
Federal Indirect Cost Recoveries	-	2,461	-	-
Total Nonoperating Revenues (Expenses)	(39)	2,408	-	(1)
Income (Loss) Before Operating Transfers	26,505	185	75,337	99,929
Operating Transfers In (Note 13)	73	717	26	-
Operating Transfers Out (Note 13)	(25,747)	(831)	(71,751)	-
Operating Transfers to Primary Government (Note 13)	-	-	-	(10,000)
Operating Transfers to Component Units (Note 13)	(45)	-	(2,093)	-
Income (Loss) Before Extraordinary Item	786	71	1,519	89,929
Extraordinary Loss on Legal Settlement	(350)	-	-	-
Net Income (Loss)	436	71	1,519	89,929
RETAINED EARNINGS/FUND BALANCES - July 1				
As Previously Reported	27,261	71,229	1,140,013	15,762
Prior Period Adjustments (Note 3)	(36)	(1,944)	1,862	6
RETAINED EARNINGS/FUND BALANCES - July 1				
As Restated	27,225	69,285	1,141,875	15,768
Residual Equity Transfers (Note 13)	-	-	-	-
RETAINED EARNINGS/FUND BALANCES - JUNE 30	\$ 27,661	\$ 69,356	\$ 1,143,394	\$ 105,697

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA

Combined Statement of Cash Flows

All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

	PROPRIETARY FUND TYPES			COMPONENT UNITS
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PROPRIETARY FUND TYPES
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Sales and Services	\$ 83,213	\$ 151,648	\$ 5,592	\$ 69,624
Collections of Principal and Interest on Loans	-	-	-	98,344
Cash Payments for Loans	-	-	-	(95,050)
Payments to Suppliers for Goods and Services	(43,579)	(48,588)	-	(11,385)
Payments to Employees	(6,483)	(24,507)	-	(9,799)
Grant Receipts	28	2,603	-	-
Grant Payments	-	-	(13)	-
Cash Payments for Claims	(7,619)	(76,582)	-	(69,297)
Collections of Notes Receivable	-	-	-	2
Collections of Payroll Taxes	-	-	-	31,003
Cash Payments for Prizes	(14,970)	-	-	-
Scholarship/Fellowship Payments	-	-	(3)	-
Other Operating Revenues	2,073	477	9	55
Other Operating Payments	-	-	-	(9,992)
Net Cash Provided by (Used for)				
Operating Activities	12,663	5,051	5,585	3,505
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payment of Principal and Interest on Bonds and Notes	(6,167)	(1,603)	-	(95,644)
Proceeds from Issuance of Bonds and Notes	4,864	502	-	66,625
Payment of Bond Issuance Costs	-	-	-	(922)
Collection of Taxes	11,029	-	18,955	-
Transfers to Primary Government	-	-	-	-
Transfers to Other Funds	(24,455)	(185)	(102,707)	-
Transfers to Component Units	(45)	-	(2,093)	-
Transfers from Other Funds	80	469	26	-
Proceeds from Interfund Loans	294	499	(8)	-
Payment of Interfund Loans	(380)	(1,286)	-	-
Contributed Capital Transfers from Other Funds	-	144	-	-
Net Cash Provided by (Used for)				
Noncapital Financing Activities	(14,780)	(1,460)	(85,827)	(29,941)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Fixed Assets	(624)	(6,873)	-	(786)
Proceeds from Sale of Fixed Assets	2	592	-	7
Principal and Interest Payments on Bonds and Notes	(1)	(2,125)	-	-
Net Cash Used for Capital and				
Related Financing Activities	(623)	(8,406)	-	(779)
CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Investments	(4,190)	(16,972)	(70,419)	(704,202)
Proceeds from Sales or Maturities of Investments	9,376	21,029	40,157	691,581
Proceeds from Securities Lending Transactions	142	597	8,291	5,387
Interest and Dividends on Investments	1,462	3,046	77,428	51,706
Payment of Securities Lending Costs	(135)	(569)	(7,947)	(5,163)
Collections of Principal and Interest on Loans	24,211	-	-	68
Cash Payments for Loans	(24,243)	-	-	-
Arbitrage Rebate Tax	(99)	-	-	(185)
Collection of Rents/Leases/Royalties	-	-	20,995	-
Net Cash Provided by (Used for)				
Investing Activities	6,524	7,131	68,505	39,192
Net Increase (Decrease) in Cash and Cash Equivalents	3,784	2,316	(11,737)	11,977
Cash and Cash Equivalents, July 1	19,594	17,665	51,172	30,250
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 23,378	\$ 19,981	\$ 39,435	\$ 42,227

The notes to the financial statements are an integral part of this statement.

	PROPRIETARY FUND TYPES			COMPONENT UNITS
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PROPRIETARY FUND TYPES
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 26,544	\$ (2,223)	\$ 75,337	\$ 99,930
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Depreciation	542	8,547	-	257
Amortization	50	117	-	376
Taxes	(11,029)	-	(20,261)	-
Interest Expense	3,228	625	-	35,133
Securities Lending Expense	133	551	7,948	5,087
Interest on Investments	(1,387)	(2,310)	(27,811)	(32,346)
Securities Lending Income	(140)	(581)	(8,291)	(5,319)
Financing Income	(3,320)	-	-	-
Federal Indirect Cost Recoveries	-	2,461	-	-
Arbitrage Rebate Tax	(299)	-	-	34
Rentals/Leases/Royalties	-	-	(21,027)	-
Extraordinary Item (Legal Settlement)	(350)	-	-	-
Change in Assets and Liabilities:				
Decr (Incr) in Accounts Receivable	(1,984)	163	-	(1,787)
Decr (Incr) in Due From Other Governments	-	(2)	-	-
Decr (Incr) in Due From Other Funds	(166)	(1,559)	(309)	1,379
Decr (Incr) in Due From Primary Government	-	-	-	(1,457)
Decr (Incr) in Due From Component Units	(36)	(1,379)	-	-
Decr (Incr) in Inventories	(1,133)	11	-	8
Decr (Incr) in Intangible Assets	7	-	-	-
Decr (Incr) in Long-term Loans/Notes Receivable	-	-	-	(29,097)
Incr (Decr) in Deferred Charges	-	-	-	288
Decr (Incr) in Other Assets	(16)	(11)	-	(582)
Incr (Decr) in Accounts Payable	568	(275)	(1)	224
Incr (Decr) in Lottery Prizes Payable	155	-	-	-
Incr (Decr) in Due to Other Funds	363	438	(15)	(1,310)
Incr (Decr) in Due to Other Governments	(2)	(3)	-	-
Incr (Decr) in Due to Primary Government	-	-	-	28
Incr (Decr) in Due to Component Units	2	41	15	-
Incr (Decr) in Non-Capital Leases Payable	-	108	-	-
Incr (Decr) in Deferred Revenue	28	839	-	4,082
Incr (Decr) in Property Held in Trust	11	(76)	-	(39)
Incr (Decr) in Compensated Absences Payable	82	339	-	140
Incr (Decr) in Estimated Insurance Claims	812	(770)	-	(71,524)
Net Cash Provided by (Used For)				
Operating Activities	\$ 12,663	\$ 5,051	\$ 5,585	\$ 3,505
SCHEDULE OF NONCASH TRANSACTIONS:				
Fixed Asset Acquisitions from Capital Leases	\$ 3,875	\$ 3,711	\$ -	\$ -
Asset Acquisitions from Contributed				
Capital Transfers from Other Funds	838	127	-	-
Asset Disposals from Contributed Capital	(845)	(10)	-	-
Total Noncash Transactions	\$ 3,868	\$ 3,828	\$ -	\$ -
RECONCILIATION FOR NONEXPENDABLE TRUST:				
Cash and Cash Equivalents, June 30		\$	39,435	
Cash and Cash Equivalents, Expendable Trust, Investment Trust and Agency			752,734	
Cash and Cash Equivalents per Combined Balance Sheet, Trust and Agency		\$	792,169	

STATE OF MONTANA
Combining Balance Sheet
Component Units - Proprietary Fund Types
June 30, 1999
(Expressed in Thousands)

	HOUSING AUTHORITY	HEALTH FACILITIES AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)	TOTALS
ASSETS:					
Cash/Cash Equivalents	\$ 6,937	\$ 724	\$ 25,896	\$ 8,670	42,227
Receivables (Net)	4,337	61	21,184	2,812	28,394
Due from Primary Government (Note 13)	1	-	1,504	429	1,934
Due from Other Funds (Note 13)	-	-	293	1	294
Inventories	-	-	33	-	33
Long-Term Loans/Notes Receivable	466,040	93	-	-	466,133
Investments (Note 4)	149,964	930	422,933	133,241	707,068
Securities Lending Collateral (Note 4)	82	684	91,728	6,462	98,956
Equipment	74	4	2,580	-	2,658
Accumulated Depreciation	(19)	(2)	(1,522)	-	(1,543)
Intangible Assets	60	-	6,992	-	7,052
Deferred Charges	5,805	-	-	-	5,805
Other Assets	54	1	760	124	939
TOTAL ASSETS	\$ 633,335	\$ 2,495	\$ 572,381	\$ 151,739	1,359,950
LIABILITIES/FUND EQUITY:					
Liabilities:					
Accounts Payable	\$ 3,853	\$ 5	\$ 1,416	\$ 50	5,324
Due to Primary Government (Note 13)	35	4	10,791	7	10,837
Due to Other Funds (Note 13)	2	1	1	282	286
Deferred Revenue	70	-	19,315	434	19,819
Bonds/Notes Payable (Net) (Note 12)	529,500	-	-	-	529,500
Property Held In Trust	6	1	418	-	425
Securities Lending Liability (Note 4)	82	684	91,728	6,462	98,956
Compensated Absences Payable	40	26	844	63	973
Estimated Insurance Claims (Note 9)	-	-	303,500	130,064	433,564
Arbitrage Rebate Tax Payable	101	-	-	-	101
Total Liabilities	533,689	721	428,013	137,362	1,099,785
Fund Equity:					
Contributed Capital (Note 17)	-	-	-	154,468	154,468
Retained Earnings:					
Reserved for Debt Service	99,646	-	-	-	99,646
Unreserved	-	1,774	144,368	(140,091)	6,051
Total Fund Equity	99,646	1,774	144,368	14,377	260,165
TOTAL LIABILITIES/FUND EQUITY	\$ 633,335	\$ 2,495	\$ 572,381	\$ 151,739	1,359,950

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
Component Units - Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	HOUSING AUTHORITY	HEALTH FACILITIES AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)	TOTALS
OPERATING REVENUES:					
Charges for Services	\$ 106	\$ 292	\$ 25	\$ -	423
Investment Earnings	8,524	78	17,811	5,933	32,346
Securities Lending Income	6	37	4,944	332	5,319
Financing Income	32,210	-	-	-	32,210
Contributions/Premiums	-	-	70,169	(87)	70,082
Payroll Taxes	-	-	-	28,891	28,891
Other Operating Revenues	12	-	18	-	30
Total Operating Revenues	40,858	407	92,967	35,069	169,301
OPERATING EXPENSES:					
Personal Services	505	107	9,405	26	10,043
Contractual Services	2,096	30	4,796	91	7,013
Supplies/Materials	65	9	740	-	814
Benefits/Claims (Note 3)	-	-	48,770	(51,315)	(2,545)
Depreciation	3	1	253	-	257
Amortization	31	-	345	-	376
Utilities/Rent	41	4	155	-	200
Communications	25	4	495	-	524
Travel	47	16	120	-	183
Repair/Maintenance	56	1	368	-	425
Interest Expense	35,133	-	-	-	35,133
Securities Lending Expense	6	35	4,734	312	5,087
Arbitrage Rebate Tax	34	-	-	-	34
Dividends	-	-	9,992	-	9,992
Other Operating Expenses	145	17	680	993	1,835
Total Operating Expenses	38,187	224	80,853	(49,893)	69,371
Operating Income (Loss)	2,671	183	12,114	84,962	99,930
NONOPERATING REVENUES (EXPENSES):					
Gain (Loss) Sale of Fixed Assets	(3)	-	2	-	(1)
Total Nonoperating Revenues (Expenses)	(3)	-	2	-	(1)
Income (Loss) Before Operating Transfers	2,668	183	12,116	84,962	99,929
Operating Transfers to Primary Government	-	-	(10,000)	-	(10,000)
Net Income (Loss)	2,668	183	2,116	84,962	89,929
RETAINED EARNINGS - JULY 1 -					
As Previously Reported	96,978	1,590	142,247	(225,053)	15,762
Prior Period Adjustments (Note 3)	-	1	5	-	6
RETAINED EARNINGS - JULY 1 -					
As Restated	96,978	1,591	142,252	(225,053)	15,768
RETAINED EARNINGS - JUNE 30	\$ 99,646	\$ 1,774	\$ 144,368	\$ (140,091)	105,697

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
Combining Statement of Cash Flows
Component Units - Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	HOUSING AUTHORITY	HEALTH FACILITIES AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Sales and Services	\$ 91	\$ 283	\$ 69,267	\$ (17)	\$ 69,624
Collections of Principal and Interest on Loans	98,344	-	-	-	98,344
Cash Payments for Loans	(95,050)	-	-	-	(95,050)
Payments to Suppliers for Goods and Services	(2,460)	(80)	(6,406)	(2,439)	(11,385)
Payments to Employees	(485)	(107)	(9,017)	(190)	(9,799)
Cash Payments for Claims	-	-	(56,307)	(12,990)	(69,297)
Collection of Notes Receivable	-	-	-	2	2
Collection of Payroll Taxes	-	-	-	31,003	31,003
Other Operating Revenues	12	-	43	-	55
Other Operating Payments	-	-	(9,992)	-	(9,992)
Net Cash Provided by (Used for) Operating Activities	452	96	(12,412)	15,369	3,505
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Payment of Principal and Interest on Bonds and Notes	(95,644)	-	-	-	(95,644)
Proceeds from Issuance of Bonds and Notes	66,625	-	-	-	66,625
Payment of Bond Issuance Costs	(922)	-	-	-	(922)
Net Cash Provided by (Used for) Noncapital Financing Activities	(29,941)	-	-	-	(29,941)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Fixed Assets	(10)	-	(776)	-	(786)
Proceeds from Sale of Fixed Assets	-	-	7	-	7
Net Cash Used for Capital and Related Financing Activities	(10)	-	(769)	-	(779)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	(584,242)	(950)	(65,449)	(53,561)	(704,202)
Proceeds from Sales or Maturities of Investments	605,955	952	55,375	29,299	691,581
Proceeds from Securities Lending Transactions	6	37	5,043	301	5,387
Interest and Dividends on Investments	11,557	98	31,817	8,234	51,706
Payment of Securities Lending Costs	(6)	(35)	(4,839)	(283)	(5,163)
Collections of Principal and Interest on Loans	-	68	-	-	68
Arbitrage Rebate Tax	(185)	-	-	-	(185)
Net Cash Provided by (Used for) Investing Activities	33,085	170	21,947	(16,010)	39,192
Net Increase (Decrease) in Cash and Cash Equivalents	3,586	266	8,766	(641)	11,977
Cash and Cash Equivalents, July 1	3,351	458	17,130	9,311	30,250
Cash and Cash Equivalents, June 30	\$ 6,937	\$ 724	\$ 25,896	\$ 8,670	\$ 42,227

The notes to the financial statements are an integral part of this statement.

	HOUSING AUTHORITY	HEALTH FACILITIES AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)	TOTALS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 2,671	\$ 183	\$ 12,114	\$ 84,962	\$ 99,930
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Depreciation	3	1	253	-	257
Amortization	31	-	345	-	376
Interest Expense	35,133	-	-	-	35,133
Securities Lending Expense	6	35	4,734	312	5,087
Interest on Investments	(8,524)	(78)	(17,811)	(5,933)	(32,346)
Securities Lending Income	(6)	(37)	(4,944)	(332)	(5,319)
Arbitrage Rebate Tax	34	-	-	-	34
Change in Assets and Liabilities:					
Decr (Incr) in Accounts Receivable	-	(10)	(3,646)	1,869	(1,787)
Decr (Incr) in Due From Other Funds	(1)	-	1,333	47	1,379
Decr (Incr) in Due From Primary Government	-	1	(1,499)	41	(1,457)
Decr (Incr) in Inventories	-	-	8	-	8
Decr (Incr) in Long-Term Loans/Notes Receivable	(29,097)	-	-	-	(29,097)
Incr (Decr) in Deferred Charges	288	-	-	-	288
Decr (Incr) in Other Assets	(88)	-	(370)	(124)	(582)
Incr (Decr) in Accounts Payable	2	2	205	15	224
Incr (Decr) in Due to Other Funds	(41)	-	-	(1,269)	(1,310)
Incr (Decr) in Due to Primary Government	35	(1)	78	(84)	28
Incr (Decr) in Deferred Revenue	-	-	3,906	176	4,082
Incr (Decr) in Property Held in Trust	4	1	(44)	-	(39)
Incr (Decr) in Compensated Absences Payable	2	(1)	113	26	140
Incr (Decr) in Estimated Insurance Claims	-	-	(7,187)	(64,337)	(71,524)
Net Cash Provided by (Used for)					
Operating Activities	\$ 452	\$ 96	\$ (12,412)	\$ 15,369	\$ 3,505

STATE OF MONTANA
Combining Statement of Plan Net Assets
Component Units - Pension Trust Funds
June 30, 1999
(Expressed in Thousands)

	PUBLIC EMPLOYEES RETIREMENT DIVISION			
	TRS	PERS	MUNICIPAL POLICE	FIRE-FIGHTERS UNIFIED
ASSETS:				
Cash/Cash Equivalents (Note 4)	\$ 64,866	\$ 76,622	\$ 2,387	\$ 2,489
Receivables (Net):				
Employer Contributions	5,466	1,522	128	105
Employee Contributions	4,909	1,615	168	77
Interest	7,438	9,115	398	375
Other Receivables	168	113	1	6
Interfund Loans Receivable (Note 13)	-	70	-	-
Due from Primary Government (Note 13)	75	1,872	5,576	-
Due from Other Funds (Note 13)	1,164	586	1	5,076
Long-Term Notes/Loans Receivable	-	446	-	-
Investments, at Fair Value:				
Equity in Pooled Investments (Note 4)	1,977,631	2,431,629	111,531	106,709
Other Investments (Note 4)	168,995	200,305	2,266	1,699
Securities Lending Collateral (Note 4)	164,691	202,813	9,399	8,779
Land	35	25	-	-
Buildings/Improvements	158	277	-	-
Equipment	137	15	-	-
Accumulated Depreciation	(186)	(184)	-	-
Intangible Assets	660	-	-	-
TOTAL ASSETS	\$ 2,396,207	\$ 2,926,841	\$ 131,855	\$ 125,315
LIABILITIES:				
Accounts Payable	\$ 424	\$ 659	\$ 34	\$ -
Interfund Loans Payable (Note 13)	-	-	70	-
Due to Primary Government (Note 13)	47	134	-	-
Due to Other Governments	28	-	-	-
Due to Other Funds (Note 13)	1	205	33	26
Deferred Revenue	-	34	3	8
Lease/Installment Purchase Payable (Note 11)	227	-	-	-
Property Held in Trust	20	-	-	-
Securities Lending Liability (Note 4)	164,691	202,813	9,399	8,779
Compensated Absences Payable (Note 1)	51	121	-	-
TOTAL LIABILITIES	165,489	203,966	9,539	8,813
 Fund Balances Reserved for Employees' Pension Benefits	 \$ 2,230,718	 \$ 2,722,875	 \$ 122,316	 \$ 116,502

The notes to the financial statements are an integral part of this statement.

SHERIFFS	HIGHWAY PATROL	JUDGES	GAME WARDENS	VOLUNTEER FIRE-FIGHTERS	TOTALS
\$ 4,930	\$ 2,135	\$ 1,243	\$ 1,438	\$ 260	\$ 156,370
129	-	-	-	-	7,350
135	-	-	-	-	6,904
398	261	139	101	66	18,291
-	-	-	5	-	293
-	-	-	-	-	70
-	167	-	-	944	8,634
10	86	41	67	1	7,032
-	-	-	-	-	446
112,284	71,134	37,886	28,513	14,928	4,892,245
2,266	1,699	1,133	566	566	379,495
9,521	6,235	3,353	2,420	1,598	408,809
-	-	-	-	-	60
-	-	-	-	-	435
-	-	-	-	-	152
-	-	-	-	-	(370)
-	-	-	-	-	660
\$ 129,673	\$ 81,717	\$ 43,795	\$ 33,110	\$ 18,363	\$ 5,886,876
\$ -	\$ 6	\$ -	\$ 20	\$ -	\$ 1,143
-	-	-	-	-	70
-	-	-	-	-	181
-	-	-	-	-	28
22	13	3	14	24	341
3	6	-	-	-	54
-	-	-	-	-	227
-	-	-	-	-	20
9,521	6,235	3,353	2,420	1,598	408,809
-	-	-	-	-	172
9,546	6,260	3,356	2,454	1,622	411,045
\$ 120,127	\$ 75,457	\$ 40,439	\$ 30,656	\$ 16,741	\$ 5,475,831

STATE OF MONTANA
Combining Statement of Changes in Plan Net Assets
Component Units - Pension Trust Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	PUBLIC EMPLOYEES RETIREMENT DIVISION			
	TRS	PERS	MUNICIPAL POLICE	FIRE-FIGHTERS UNIFIED
ADDITIONS:				
Contributions/Premiums:				
Employer	\$ 44,987	\$ 48,050	\$ 8,280	2,284
Employee	42,642	49,252	2,154	1,679
Other Contributions	102	81	1	5,074
Net Investment Earnings:				
Investment Earnings	241,408	294,719	12,465	12,132
Administrative Investment Expense	(1,577)	(1,918)	(58)	(48)
Securities Lending Income	8,600	10,574	491	460
Securities Lending Expense	(8,110)	(9,972)	(464)	(436)
Other Additions	20	110	1	1
Total Additions	328,072	390,896	22,870	21,146
DEDUCTIONS:				
Benefits	100,028	91,521	8,279	6,995
Refunds	5,126	11,703	330	61
Administrative Expenses:				
Personal Services	463	700	-	-
Contractual Services	266	420	-	-
Supplies/Materials	35	35	-	-
Depreciation	19	11	-	-
Amortization	76	1	-	-
Utilities/Rent	26	63	-	-
Communications	38	58	-	-
Travel	15	30	-	-
Repair/Maintenance	22	1	-	-
Other Operating Expenses	400	35	33	26
Local Assistance	-	-	-	-
Total Deductions	106,514	104,578	8,642	7,082
Net Increase (Decrease)	221,558	286,318	14,228	14,064
Fund Balances Reserved for Employees'				
Pension Benefits - July 1 -				
As Previously Reported	2,009,159	2,436,557	108,088	102,438
Prior Period Adjustments	1	-	-	-
Fund Balances Reserved for Employees'				
Pension Benefits - July 1 -				
As Restated	2,009,160	2,436,557	108,088	102,438
Fund Balances Reserved for Employees'				
Pension Benefits - June 30	\$ 2,230,718	\$ 2,722,875	\$ 122,316	\$ 116,502

The notes to the financial statements are an integral part of this statement.

SHERIFFS	HIGHWAY PATROL	JUDGES	GAME WARDENS	VOLUNTEER FIRE-FIGHTERS	TOTALS
\$ 2,081	\$ 2,593	\$ 823	\$ 931	- \$	110,029
2,147	598	224	933	-	99,629
12	-	-	7	944	6,221
13,147	7,975	4,307	3,336	1,471	590,960
(58)	(41)	(26)	(15)	(12)	(3,753)
495	325	174	126	83	21,328
(469)	(307)	(164)	(119)	(78)	(20,119)
1	1	-	1	1	136
17,356	11,144	5,338	5,200	2,409	804,431
2,364	4,085	1,319	1,153	814	216,558
327	96	-	73	-	17,716
-	-	-	-	-	1,163
-	-	-	-	-	686
-	-	-	-	-	70
-	-	-	-	-	30
-	-	-	-	-	77
-	-	-	-	-	89
-	-	-	-	-	96
-	-	-	-	-	45
-	-	-	-	-	23
22	13	3	14	24	570
-	-	-	-	11	11
2,713	4,194	1,322	1,240	849	237,134
14,643	6,950	4,016	3,960	1,560	567,297
105,484	68,507	36,402	26,696	15,181	4,908,512
-	-	21	-	-	22
105,484	68,507	36,423	26,696	15,181	4,908,534
\$ 120,127	\$ 75,457	\$ 40,439	\$ 30,656	\$ 16,741	\$ 5,475,831

STATE OF MONTANA
Combining Balance Sheet
Component Units - All Higher Education Funds
June 30, 1999
(Expressed in Thousands)

	CURRENT FUNDS			
	UNRESTRICTED			
	GENERAL OPERATING	DESIGNATED	AUXILIARY	RESTRICTED
ASSETS:				
Cash/Cash Equivalents	\$ 15,840	\$ 19,915	\$ 13,880	\$ 5,579
Receivables (Net)	3,612	462	699	5,243
Interfund Loans Receivable (Note 13)	480	3,100	-	-
Due from Other Governments	1	-	-	11,757
Due from Primary Government (Note 13)	198	150	59	1,867
Due from Other Funds (Note 13)	5,293	9,425	604	439
Inventories	67	1,568	2,455	-
Equity in Pooled Investments (Note 4)	-	-	-	-
Long-Term Notes/Loans Receivable	-	-	-	-
Advances to Other Funds	-	9	5	-
Investments (Note 4)	-	124	-	6
Securities Lending Collateral (Note 4)	193	643	820	184
Land	-	-	-	-
Buildings/Improvements	-	-	-	-
Equipment	-	-	-	-
Other Fixed Assets	-	-	-	-
Construction in Progress	-	-	-	-
Intangible Assets	-	-	-	-
Deferred Charges	-	-	-	-
Other Assets	4,369	1,806	463	211
TOTAL ASSETS	\$ 30,053	\$ 37,202	\$ 18,985	\$ 25,286
LIABILITIES/FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 14,105	\$ 5,955	\$ 2,315	\$ 4,542
Interfund Loans Payable (Note 13)	-	-	100	3,480
Advances from Other Funds	5	4	112	5
Due to Other Governments	313	13	-	-
Due to Primary Government (Note 13)	357	154	42	27
Due to Other Funds (Note 13)	7,878	2,611	1,382	7,103
Deferred Revenue	6,070	964	790	624
Lease/Installment Purchase Payable (Note 11)	-	43	-	-
Bonds/Notes Payable (Note 12)	-	-	-	-
Property Held in Trust	59	57	422	-
Securities Lending Liability (Note 4)	193	643	820	184
Early Retirement Benefits Payable (Note 12)	55	-	3	-
Compensated Absences Payable (Note 1)	25,004	5,550	2,103	178
Total Liabilities	54,039	15,994	8,089	16,143
Fund Balances:				
Net Investment in Plant	-	-	-	-
Reserved For:				
Encumbrances	502	3	12	9
Debt Service	-	-	-	-
Student Loans/Endowments	-	-	-	-
Construction	-	-	-	-
Unreserved	(24,488)	21,205	10,884	9,134
Total Fund Balances	(23,986)	21,208	10,896	9,143
TOTAL LIABILITIES/FUND BALANCES	\$ 30,053	\$ 37,202	\$ 18,985	\$ 25,286

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS				PLANT FUNDS			
STUDENT LOANS	ENDOWMENTS	AGENCY	UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	TOTALS
\$ 3,396	\$ 2,356	\$ 3,305	\$ 29,910	\$ 15,386	\$ 4,242	\$ -	113,809
27,662	13	123	193	60	75	-	38,142
-	-	-	-	-	-	-	3,580
89	-	-	-	-	-	-	11,847
2	-	23	143	1	173	-	2,616
119	2	5,211	5,596	1,220	2,778	-	30,687
-	-	-	-	-	-	-	4,090
341	3,485	-	-	-	-	-	3,826
258	-	-	-	-	-	-	258
-	-	-	36	52	217	-	319
-	758	-	-	2,411	-	-	3,299
136	465	355	211	977	123	-	4,107
-	-	-	-	-	-	13,511	13,511
-	-	-	-	-	-	503,493	503,493
-	-	-	-	-	-	100,797	100,797
-	-	-	-	-	-	88,216	88,216
-	-	-	51,245	7,480	-	9,196	67,921
-	-	-	-	-	-	3,271	3,271
-	-	-	-	-	2,231	-	2,231
-	-	250	29	-	-	-	7,128
\$ 32,003	\$ 7,079	\$ 9,267	\$ 87,363	\$ 27,587	\$ 9,839	\$ 718,484	1,003,148
\$ 8	\$ -	\$ 964	\$ 1,329	\$ 642	\$ 2,055	\$ -	31,915
-	-	-	-	-	-	-	3,580
-	-	-	-	105	-	88	319
-	-	291	-	-	-	-	617
-	-	1,628	190	45	-	-	2,443
158	86	2,285	5,101	1,063	2,289	-	29,956
-	-	-	129	125	107	-	8,809
-	-	-	-	-	-	1,114	1,157
-	-	-	65,424	5,133	2,267	144,960	217,784
-	-	3,744	-	-	-	-	4,282
136	465	355	211	977	123	-	4,107
-	-	-	-	-	-	-	58
-	-	-	-	9	-	-	32,844
302	551	9,267	72,384	8,099	6,841	146,162	337,871
-	-	-	-	-	-	572,322	572,322
-	-	-	7	44	-	-	577
-	-	-	-	-	2,236	-	2,236
29,858	5,067	-	-	-	-	-	34,925
-	-	-	4,175	1,420	-	-	5,595
1,843	1,461	-	10,797	18,024	762	-	49,622
31,701	6,528	-	14,979	19,488	2,998	572,322	665,277
\$ 32,003	\$ 7,079	\$ 9,267	\$ 87,363	\$ 27,587	\$ 9,839	\$ 718,484	1,003,148

STATE OF MONTANA
Statement of Changes in Fund Balance
Component Units - All Higher Education Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	CURRENT FUNDS			
	UNRESTRICTED			
	GENERAL OPERATING	DESIGNATED	AUXILIARY	RESTRICTED
REVENUES/OTHER ADDITIONS:				
Tuition/Fees	\$ 102,723	\$ 10,544	\$ 9,272	\$ 2
Federal Grants/Contracts	4,229	30	27	109,699
State Grants/Contracts	-	577	-	8,090
Local Grants/Contracts	-	-	4	1,185
Private Gifts/Grants/Donations	-	1,290	5	18,915
Endowment Income	-	-	-	183
Sales/Services-Educational Activities	744	2,232	52	152
Sales/Services-Designated/Auxiliary Enterprises	2	22,594	52,981	223
Indirect Costs Recovered	53	11,236	-	8
Investment Earnings	1,703	569	1,093	224
Securities Lending Income	11	10	6	2
Acquisition of Long-Lived Assets	-	-	-	-
Retirement of Indebtedness	-	-	-	-
Other Revenues/Additions	456	3,760	1,340	4,106
Total Revenues/Other Additions	109,921	52,842	64,780	142,789
Intrafund Revenues/Other Additions	-	-	-	(146)
Net Revenues/Other Additions	109,921	52,842	64,780	142,643
EXPENDITURES/OTHER DEDUCTIONS:				
Instruction	114,828	5,951	-	6,431
Research	12,977	9,917	-	46,623
Public Service	7,155	4,806	-	14,899
Academic Support	19,974	10,590	-	2,521
Student Services	17,549	13,096	-	3,738
Institutional Support	17,619	381	-	1,958
Independent Operations	1,777	186	-	-
Scholarships/Fellowships	8,754	511	-	60,417
Auxiliary Enterprises	-	8	53,359	5
Operation/Maintenance of Plant	22,669	461	-	41
Expended for Plant	-	-	-	-
Debt Services	116	287	44	17
Capital Outlay	5,592	1,807	113	3,486
Securities Lending	10	10	6	2
Disposal of Long-Lived Assets	-	-	-	-
Debt Incurred	-	-	-	-
Other Expenditures/Deductions	876	251	7	6
Total Expenditures/Other Deductions	229,896	48,262	53,529	140,144
Intrafund Expenditures/Other Deductions	-	-	-	(146)
Net Expenditures/Other Deductions	229,896	48,262	53,529	139,998
TRANSFERS IN (OUT)/OTHER ADDITIONS (DEDUCTIONS):				
Transfers from State General Fund	104,101	-	-	-
Millage Transfers	14,728	-	-	-
Mandatory Transfers	464	(728)	(9,380)	2
Nonmandatory Transfers	(1,252)	(484)	(1,994)	1,903
Transfers from Primary Government	-	-	262	45
Total Transfers In (Out) (Note 13)	118,041	(1,212)	(11,112)	1,950
Move Equity to Investment in Plant	-	-	-	-
Loan Proceeds	-	20	-	-
Bond Proceeds	-	-	-	-
Total Transfers In (Out)/Other Additions (Deductions)	118,041	(1,192)	(11,112)	1,950
Net Increase (Decrease) in Fund Balances	(1,934)	3,388	139	4,595
FUND BALANCES - July 1 - As Previously Reported	(22,169)	17,796	10,767	4,557
Prior Period Adjustments (Note 3)	62	1	(1)	-
FUND BALANCES - July 1 - As Restated	(22,107)	17,797	10,766	4,557
Residual Equity Transfers (Note 13)	55	23	(9)	(9)
FUND BALANCES - June 30	\$ (23,986)	\$ 21,208	\$ 10,896	\$ 9,143

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS			PLANT FUNDS			
STUDENT LOANS	ENDOWMENTS	UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	
\$ -	\$ -	\$ 3,283	\$ 1,327	\$ 4,747	\$ -	-
758	-	-	-	23	-	-
133	-	-	-	-	-	-
-	-	-	-	-	-	-
1	12	5,858	91	-	-	-
-	-	-	-	-	-	-
-	-	-	21	-	-	-
2	-	300	60	1,150	-	-
-	-	-	-	-	-	-
477	204	2,467	714	689	-	-
3	-	5	13	-	-	-
-	-	-	-	-	60,364	-
-	-	-	-	-	16,909	-
494	-	2,681	810	257	-	-
1,868	216	14,594	3,036	6,866	77,273	-
-	-	(38)	-	-	-	-
1,868	216	14,556	3,036	6,866	77,273	-
-	-	468	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
173	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	6,634	11,159	31	-	-
-	-	522	107	18,531	-	-
-	-	3,935	263	-	-	-
2	-	5	12	-	-	-
-	-	-	-	-	4,550	-
-	-	-	-	-	9,717	-
368	-	155	1,390	207	-	-
543	-	11,719	12,931	18,769	14,267	-
-	-	(38)	-	-	-	-
543	-	11,681	12,931	18,769	14,267	-
-	-	-	34	-	-	-
-	-	-	-	-	-	-
-	-	(7,486)	3,106	14,398	-	-
(4)	(53)	494	6,314	(2,478)	-	-
-	-	807	39	985	-	-
(4)	(53)	(6,185)	9,493	12,905	-	-
-	-	4,145	(607)	343	(26,903)	-
-	-	357	-	-	964	-
-	-	1,600	-	(1)	-	-
(4)	(53)	(83)	8,886	13,247	(25,939)	-
1,321	163	2,792	(1,009)	1,344	37,067	-
29,915	6,365	12,181	20,131	1,655	535,255	-
465	-	-	429	-	-	-
30,380	6,365	12,181	20,560	1,655	535,255	-
-	-	6	(63)	(1)	-	-
\$ 31,701	\$ 6,528	\$ 14,979	\$ 19,488	\$ 2,998	\$ 572,322	-

STATE OF MONTANA
Statement of Current Funds Revenues, Expenditures, Transfers and Other Changes
Component Units - Higher Education Fund Type
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	CURRENT FUNDS			
	UNRESTRICTED			
	GENERAL OPERATING	DESIGNATED	AUXILIARY	RESTRICTED
REVENUES:				
Tuition/Fees	\$ 102,723	\$ 10,544	\$ 9,272	\$ 2
Federal Grants/Contracts	4,229	30	27	107,556
State Grants/Contracts	-	577	-	7,958
Local Grants/Contracts	-	-	4	1,159
Private Gifts/Grants/Donations	-	1,290	5	18,571
Endowment Income	-	-	-	183
Sales/Services-Educational Activities	744	2,232	52	152
Sales/Services-Designated/Auxiliary Enterprises	2	22,594	52,981	223
Indirect Costs Recovered	53	11,236	-	8
Investment Earnings	1,703	569	1,093	224
Securities Lending Income	11	10	6	2
Other Revenues	456	3,760	1,340	4,106
Total Revenues	109,921	52,842	64,780	140,144
Intrafund Revenues	-	-	-	(146)
Net Revenues	109,921	52,842	64,780	139,998
EXPENDITURES:				
Educational and General:				
Instruction	114,828	5,951	-	6,431
Research	12,977	9,917	-	46,623
Public Service	7,155	4,806	-	14,899
Academic Support	19,974	10,590	-	2,521
Student Services	17,549	13,096	-	3,738
Institutional Support	17,619	381	-	1,958
Scholarships/Fellowships	8,754	511	-	60,417
Operation/Maintenance of Plant	22,669	461	-	41
Other Expenditures	876	251	7	6
Total Educational and General Expenditures	222,401	45,964	7	136,634
Intrafund Expenditures	-	-	-	(146)
Net Educational and General Expenditures	222,401	45,964	7	136,488
Auxiliary Enterprises	-	8	53,359	5
Independent Operations	1,777	186	-	-
Debt Services	116	287	44	17
Capital Outlay	5,592	1,807	113	3,486
Securities Lending	10	10	6	2
Total Expenditures	229,896	48,262	53,529	139,998
TRANSFERS IN (OUT):				
Transfers from State General Fund	104,101	-	-	-
Millage Transfers	14,728	-	-	-
Mandatory Transfers	464	(728)	(9,380)	2
Nonmandatory Transfers	(1,252)	(484)	(1,993)	1,902
Transfers from Primary Government	-	-	262	45
Total Transfers In (Out) (Note 13)	118,041	(1,212)	(11,111)	1,949
OTHER ADDITIONS(DEDUCTIONS):				
Loan Proceeds	-	20	-	-
Excess of Restricted Receipts Over Transfers to Revenue	-	-	-	2,645
Total Other Additions (Deductions)	-	20	-	2,645
Net Increase (Decrease) in Fund Balances	\$ (1,934)	\$ 3,388	\$ 140	\$ 4,594

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the State of Montana have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of the Higher Education Funds have been prepared in conformity with GAAP for colleges and universities as prescribed by the American Institute of Certified Public Accountants.

A. Reporting Entity - For financial reporting purposes, the State of Montana has included all funds and account groups which comprise the State of Montana (the primary government) and its component units. The component units are entities for which the State is financially accountable, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discrete Component Units

These component units are entities which are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Complete financial statements of the individual component units, which issue separate financial statements, can be obtained from their respective administrative offices. The component units columns of the combined financial statements include the financial data of these entities:

Housing Authority (Proprietary Fund Type) - This Authority, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor. It was created in 1975 to facilitate the availability of decent, safe and sanitary housing to persons and families of lower income. The Board issues negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$975 million. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. The Authority is audited annually by the Legislative Auditor. Its report is issued under separate cover and available at 836 Front Street, Helena, MT 59620.

Health Facilities Authority (Proprietary Fund Type) - This Authority, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. Its purpose is to contain future health care costs by offering debt financing or refinancing at reduced rates to Montana non-profit private and public health care institutions for purchases of capital equipment and buildings. The Board issues revenue bonds to fulfill its purpose. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. Individual audit reports are issued by the Legislative Auditor every two years. Its report is issued under separate cover and available at 555 Fuller Avenue, Helena, MT 59620.

State Compensation Insurance Fund (New and Old) (Proprietary Fund Type) - The Fund is a quasi-governmental corporation governed by a board appointed by the Governor. The Fund provides workers' compensation insurance. The Fund consists of two separate entities, the New Fund and the Old Fund. The New Fund covers claims incurred after June 30, 1990, and is financed by member (employer) premiums. The Old Fund covers claims incurred before July 1, 1990. In 1999, the 56th Legislature determined that the Old Fund was adequately funded and discontinued the Old Fund Liability Tax. Administrative operations and budgets are reviewed by the Governor and the legislature. The Fund is audited annually by the Legislative Auditor. Its report is issued under separate cover and available at 5 South Last Chance Gulch, Helena, MT 59601.

Teachers' Retirement System (Pension Trust Fund) - This retirement system is a legally separate entity with a board appointed by the Governor. Its purpose is to provide retirement, disability, death and lump sum payments to members of Montana's public teaching profession. The administrative costs of the Teachers' Retirement System are paid from investment earnings of the Fund. The System is funded from employer and employee contributions and investment earnings. The system is audited annually by the Legislative Auditor. Its report is issued under separate cover and is available at 1500 East 6th Avenue, Helena, MT 59620.

Public Employees' Retirement Board (Pension Trust Funds) - The Board, appointed by the Governor, administers eight separate retirement systems for the purpose of providing retirement, disability, death and lump sum payments to each system's members. These legally separate entities include the Public Employees', the Municipal Police Officers', the Game Wardens' and Peace Officers', the Sheriffs', the Judges', the Highway Patrol Officers' and the Firefighters' Unified Retirement Systems, as well as the Volunteer Firefighters' Compensation Act.

The Public Employees' Retirement System (PERS) is funded from employer and employee contributions and investment earnings. The PERS also accounts for the administrative costs, paid from investment earnings, of the system. The Municipal Police Officers' Retirement System is funded from member, state and city contributions. The Game Wardens' and Peace Officers' Retirement System is funded by employer and employee contributions as well as fines and forfeitures collected from fish and wildlife violations. The Sheriffs' Retirement System is funded by member and county contributions. The Judges' Retirement System is funded by member and state contributions as well as a percentage of court fees collected. The Highway Patrol Officers' Retirement System is funded by member and state contributions. The

Firefighters' Unified Retirement System is funded by employer and employee contributions as well as a portion of insurance premium taxes collected by the State. The Volunteer Firefighters' Compensation Act is funded by contributions by the State of a percentage of fire insurance premium taxes collected.

The Board is a discretely presented component unit Pension Trust Fund which is audited annually by the Legislative Audit Division. Its report is issued under separate cover and is available at 1712 Ninth Avenue, Helena, MT 59620.

Universities and Colleges (Higher Education Funds) - The State Board of Regents has responsibility for the following institutions: University of Montana-Missoula and the units under it including Montana Tech of the University of Montana, Western Montana College of the University of Montana and the Helena College of Technology; and Montana State University-Bozeman and the units under it including Montana State University-Billings, Montana State University-Northern, and the Great Falls College of Technology. All units are funded through state appropriations, tuition, federal grants, and private donations and grants. Individual audit reports are issued by the Legislative Auditor every two years. The reports are issued under separate cover and are available at the President's Office on each of the campuses or by contacting the Commissioner of Higher Education, 2500 Broadway, Helena, MT 59620.

Though the following organizations perform functions related to the higher education units, they are not considered part of Montana's reporting entity: (1) Community Colleges which are considered part of local units of government; (2) the Montana Higher Education Student Assistance Corporation, a private non-profit corporation, and (3) private foundations supporting public education, over which the State exercises neither financial nor administrative control (see Note 18). Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The State's support of local public education systems is reported in the General Fund.

B. Fund Structure - The State uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The financial activities of the State of Montana are classified into fund categories and account groups as described below:

GOVERNMENTAL FUNDS

General Fund - To account for all governmental financial resources except those required to be accounted for in another fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes (other than expendable trusts or major capital projects).

Debt Service Funds - To account for resources accumulated for payment of principal and interest on general long-term obligation debt.

Capital Projects Funds - To account for resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

PROPRIETARY FUNDS

Enterprise Funds - To account for operations (1) financed and operated similar to private business enterprises, where the intent of the legislature is to finance or recover costs primarily through user charges; or (2) where the legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate.

Internal Service Funds - To account for the financing of goods and services provided by one department or agency to other departments, agencies or other governmental entities on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds - To account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include: (1) Expendable Trust Funds; (2) Nonexpendable Trust Funds; (3) Pension Trust Funds; (4) Agency Funds, and (5) Investment Trust Funds.

ACCOUNT GROUPS

General Fixed Assets Account Group - To account for all fixed assets of the State, except those accounted for in the Proprietary, Nonexpendable Trust, Pension Trust and Plant Funds.

General Long-Term Obligations Account Group - To account for all long-term obligations of the State, except those accounted for in Proprietary, Nonexpendable Trust, Pension Trust and Plant Funds.

HIGHER EDUCATION (UNIVERSITY AND COLLEGE) FUNDS

Current Funds

Unrestricted

General Operating - To account for the portion of financial resources that can be expended for general operations and is free of externally imposed restrictions, except those imposed by the legislature.

Designated - To account for those resources associated with general operations which are separately classified in order to accumulate costs recharged to other funds and to identify special activities of educational departments which are supported by supplemental assessments and the receipt and disposition of special supply and facility fees which are approved for collection beyond normal course fees.

Auxiliary - To account for those financial resources devoted to providing essential on-campus services primarily to students, faculty or staff where a fee relating to the service is charged.

Restricted - To account for the portion of financial resources that can be expended only for purposes imposed by sources external to the Board of Regents and the legislature.

Fiduciary Funds

Student Loans - To account for monies which may be loaned to students, faculty or staff for purposes related to education, organized research or public services by the higher education units.

Endowments - To account for monies where the principal is available for investment. Investment earnings are to be transferred to (or recorded directly in) appropriate operating funds pursuant to prevailing administrative requirements.

Agency - To account for monies where the State acts in the capacity of a custodian or fiscal agent for individual students, faculty, staff or qualified organizations.

Plant Funds

Unexpended - To account for unexpended resources derived from various sources which are used to finance the acquisition/construction of plant assets and the associated liabilities.

Renewal and Replacement - To account for resources used to provide for the renewal and replacement of plant fund assets as distinguished from additions and improvements.

Retirement of Indebtedness - To account for resources accumulated for interest and principal payments and other debt service charges, including contributions to reserves, relating to plant fund indebtedness.

Investment in Plant - To account for all long-lived assets in the service of the higher education unit as well as all associated liabilities.

C. Basis of Accounting - The accounting and reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is followed in the Governmental Funds, Expendable Trust Funds and in the Agency Funds for the purpose of asset and liability recognition. Under the modified accrual basis, revenues are susceptible to accrual and recognized when they are measurable and available to pay current period liabilities. Intergovernmental revenues received as reimbursements are recognized based upon the expenditures incurred. Intergovernmental revenues received but not earned are recorded as deferred revenues. All other revenue including taxes on coal sales, gas and oil production, individual income and other self-assessed taxes is considered available if due within 60 days of fiscal year-end. Based on historical analysis, a liability has been recognized for collected withholding taxes to be refunded in fiscal year 2000. Expenditures are recognized when the related fund liability is incurred, with the following exceptions:

- (1) principal and interest on long-term debt is recognized when due;
- (2) prepayments are accounted for as expenditures in the period of acquisition; and
- (3) inventory items are considered expenditures when purchased.

All Proprietary, Pension Trust, Investment Trust and Nonexpendable Trust Funds are accounted for on an economic resources measurement focus. This means all assets and liabilities associated with these activities are included on their balance sheets. Operating statements for these funds present increases (revenues) and decreases (expenses) in net total assets.

Proprietary, Pension Trust, Investment Trust, Nonexpendable Trust and Higher Education Funds are maintained and reported on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable. In Higher Education Funds, depreciation expense related to plant fund assets is not recorded; summer session student tuition and fee revenues and expenditures are deferred at June 30 and recorded as revenue and expenditures in the succeeding fiscal year. Unbilled receivables of Proprietary and Higher Education Funds are recognized as revenue.

Significant intrafund transactions and balances have been eliminated.

D. Proprietary Activity Accounting and Financial Reporting - Activities accounted for in the State's proprietary, non-expendable trust and pension trust funds and proprietary type component units follow GAAP prescribed by the GASB and all Financial Accounting Standards Board's standards issued on or before November 30, 1989. Subsequent to this date, the State accounts for these activities as prescribed by the GASB.

E. Cash/Cash Equivalents - For all funds, except the Housing Authority in the Component Unit Proprietary Funds, cash and cash equivalents consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool, undeposited cash held by individual state agencies, and investments categorized as cash equivalents, which are short-term, highly liquid investments with original maturities of three months or less. The Housing Authority considers cash and cash equivalents to be cash held by the State Treasurer, other cash deposits, and mortgage payments in transit (See Note 4).

F. Receivables - This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided; short-term loans and notes; interest and dividends; taxes due within 60 days of fiscal year-end; and income, withholding and inheritance taxes that are past due. An allowance for uncollectible taxes is provided based upon historical analysis. The allowance for uncollectible taxes at June 30, 1999, is \$10.9 million.

G. Inventories - Inventories of materials and supplies are stated at cost. The State allows agencies to use any generally accepted inventory pricing method, but specifies the first-in, first-out method should be appropriate for most agencies.

Governmental and Expendable Trust Funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year end, significant amounts of inventory are shown as a reserve of fund balance, indicating they do not constitute "available expendable resources." An exception is the Special Revenue Fund food stamp inventory balance, which is offset by deferred revenue.

Proprietary, Pension Trust, Nonexpendable Trust, Investment Trust and Higher Education Funds report using the "consumption method," meaning inventories are expensed as used.

H. Investments - In accordance with the Montana Constitution and the statutorily mandated "Prudent Expert Rule," the State of Montana invests in various types of securities for each portfolio it manages. Certain securities including asset-backed securities, variable-rate instruments, zero coupon bonds, preferred stocks, and mortgage-backed securities are purchased for portfolio diversification and a competitive rate of return. Most investments are reported at fair value in the balance sheet. Investments are reported by type in the disclosure of custodial credit risk for each investment portfolio (See Note 4 on Cash/Cash Equivalents and Investments).

I. Equity in Pooled Investments - The Montana Board of Investments manages the State's Unified Investment Program which includes four internal investment pools. Participation in the pools is limited to Expendable Trust Funds, Nonexpendable Trust Funds, Pension Trust Funds, Higher Education Endowment and Trust Funds, the Deferred Compensation Plan and specific trusts established within the State Special Revenue Fund. The participants' investments in the pools are reported at fair value in the balance sheet within the individual funds (See Note 4 on Cash/Cash Equivalents and Investments).

J. Fixed Assets - Fixed asset valuation is based on actual historical cost or, in the case of donations, fair market value on the date donated. General government infrastructure fixed assets and interest expenditures for general fixed assets are not capitalized. Infrastructure assets of primary government and component unit proprietary activities are capitalized. Interest incurred during the construction of fixed assets for proprietary funds and higher education units is capitalized.

Fixed assets are not depreciated in the General Fixed Assets Account Group. Purchases of such assets are recorded as expenditures in the appropriate governmental fund. Fixed assets in Proprietary, Nonexpendable Trust and Pension Trust Funds are accounted for within their respective funds and are depreciated. Expendable Trust Funds do not report fixed assets within their funds because the assets are purchased by other funds. Depreciation is on a straight-line basis with estimated useful lives of 25 to 60 years for buildings, 20 years for improvements and 3 to 10 years for equipment. Fixed assets and intangible assets for Higher Education units are accounted for in the Investment in Plant Fund and are not depreciated.

The capitalization threshold for recording fixed assets is \$5,000. Purchases under this threshold are recorded as expenditures/expenses in the current period.

K. Deferred Revenue - Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized.

L. Long-Term Obligations - Long-term obligations expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from current expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

M. Capital Leases - A capital lease is generally defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" as one which transfers benefits and risks of ownership to the lessee. Leases meeting the criteria of a capital lease as defined are recorded at inception as expenditures and other financing sources in governmental fund types and as assets and liabilities in the General Fixed Assets and General Long-Term Debt Account Groups, respectively, at the present value of the future minimum lease payments, using the interest rates stated in the leases.

N. Bond Discounts/Premiums/Issuance Costs - In governmental funds, bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond proceeds are reported as an other financing source net of any premium or discount. Issuance costs are reported as debt service expenditures whether or not they are withheld from the net bond proceeds. In proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds, which approximates the effective interest method. Bonds payable are recorded net of any applicable premium or discount while issuance costs are reported as deferred charges.

O. Compensated Absences - Full-time state employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Teachers employed by the state do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Each contribution year, an employee may contribute a maximum of 40 hours of sick leave to a nonrefundable sick leave pool. For fiscal year 1999, 1,014 hours were contributed to the sick leave pool and 1,641 hours were withdrawn leaving a balance of 3,928 hours in the pool. No liability is reported in the accompanying financial statements because these hours are nonrefundable to participants except by grants approved through an application process.

Vested or accumulated leave of Proprietary and Pension Trust Funds is recorded as an expense and liability of those funds; for higher education the expense and liability is recorded in the current unrestricted funds as the benefits accrue to employees. The liability amount recorded in the General Long-Term Obligations Account Group is not expected to be liquidated with expendable financial resources, thus no expenditure or liability is reported in the governmental funds. Upon retirement or termination, an employee is paid for 100 percent of unused vacation leave and 25 percent of unused sick leave.

As of June 30, 1999, the State's liability for unused vacation and sick leave for Higher Education Funds was \$32,844,000. The leave liabilities for the remaining agencies at June 30, 1999, were \$56,223,000, an increase of \$2,728,000 over the June 30, 1998, leave liability of \$53,495,000. The following table reflects the change (in thousands):

	<u>Balance July 1, 1998</u>	<u>Leave Earned</u>	<u>Leave Used</u>	<u>Balance June 30, 1999</u>
PRIMARY GOVERNMENT				
Governmental Fund Types and Similar Trust Funds	\$ 48,776	\$ 24,333	\$ 22,168	\$ 50,941
Proprietary Fund Types and Similar Trust Funds	<u>3,723</u>	<u>2,092</u>	<u>1,678</u>	<u>4,137</u>
Total	\$ 52,499	\$ 26,425	\$ 23,846	\$ 55,078
COMPONENT UNITS				
Proprietary Fund Types and Similar Trust Funds	<u>996</u>	<u>674</u>	<u>525</u>	<u>1,145</u>
Total Non-Higher Education Funds	\$ 53,495	\$ 27,099	\$ 24,371	\$ 56,223

P. Encumbrances - The State utilizes encumbrance accounting to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year end represent the estimated amount of expenditures likely to result if orders for goods and services are completed. In governmental funds, encumbrances outstanding at year end are reported as reservations of fund balances since they do not represent expenditures or liabilities.

Q. Advances to Other Funds - Noncurrent portions of long-term interfund receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources. The transaction is recognized by the receiving fund in the balance sheet account "Advance From Other Funds."

R. Fund Equity - Contributed capital is recorded in proprietary funds that have received capital from other funds. Reservations represent those portions of fund equity or retained earnings not appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for the future use of financial resources. Undesignated fund balances indicate that portion of fund equity that is available for budgeting in future years subject to working capital requirements.

S. Property Taxes - Real property taxes are levied in October and are payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due. The State recognizes property tax revenues as available if they are collectible within 60 days after fiscal year-end. Material delinquent and total uncollected current year property taxes receivable are recorded in receivables (net of uncollectibles).

Personal property tax levies are set each August and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice. Personal property taxes attach as an enforceable lien immediately if not paid when due.

Property taxes are collected by each of Montana's 56 counties. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

T. Other Taxes - On the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for All Governmental Fund Types and Expendable Trust Funds, the revenue category "Other Taxes" consists of the following taxes (in thousands):

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Video Gaming	\$ 12,481	\$25,112	\$ -	\$ 37,593
Insurance Premium	36,553	-	-	36,553
Inheritance	22,155	-	-	22,155
University System Millage	1,025	14,886	-	15,911
Cigarette/Tobacco	10,629	1,552	1,915	14,096
Accommodations	118	10,781	-	10,899
Telephone License	6,052	-	-	6,052
Alcoholic Beverage	1,362	3,794	-	5,156
Electrical Energy	4,686	-	-	4,686
Public Contractor	3,320	-	-	3,320
Livestock	-	2,517	-	2,517
Public Service Commission	-	2,396	-	2,396
Freight Line	2,074	-	-	2,074
Fire Protection	-	1,896	-	1,896
Wheat Sales	-	1,476	-	1,476
Vehicle	-	1,393	-	1,393
Consumer Counsel	-	902	-	902
Miscellaneous	153	1,038	-	1,191
TOTAL OTHER TAXES	\$100,608	\$67,743	\$1,915	\$170,266

2. BUDGETARY REPORTING

A. State Budget Process - The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. The constitution requires that legislative appropriations not exceed available revenues. The legislature utilizes revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budgeted appropriations at the fund level. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the General, Special Revenue and Capital Projects Funds, except for those Special Revenue Funds from nonstate and nonfederal sources restricted by law or by the terms of an agreement. The level of budgetary control is established by fund type, except Capital Project Funds, which are at project level. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor and the Legislative Fiscal Division. The Governor and budget director establish priorities and balance the budget. The Governor's budget is submitted to the Legislative Fiscal Division which prepares recommendations. A comparison of those recommendations with the Governor's budget is submitted to the legislature. Joint appropriations subcommittee hearings are held and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The legislature generally enacts one bill to establish the majority of appropriations for the next two fiscal years. The Office of Budget and Program Planning establishes appropriations for each program by accounting entity (fund) within an agency. The legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. In the second year of the biennium, during the legislative session, the legislature may authorize supplemental appropriations. The Governor, or his designee, may approve budget amendments for non-general fund monies not available for consideration by the legislature and for emergencies. In the accompanying financial statements, reported budget amounts are as amended. There have been budget amendments authorized for fiscal year 1999 that were material to specific budgets, however, they did not materially affect the State's budget as a whole. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations may be continued into the next fiscal year when authorized by the legislature or the Governor's office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued/encumbered. Fund balances/retained earnings are not reserved for reverted appropriations. For fiscal year 1999, reverted appropriations for all funds were \$382.1 million of which \$22.5 million were for the General Fund and \$190.2 million were for the Special Revenue Fund. Agencies are able to carry forward 30% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of the budget office.

Appropriations for Capital Projects Funds are not made on an annual basis, but are adopted on a "project-length" basis. Because these non-operating budgets primarily serve a management control purpose and related appropriations are

continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

B. Budget Basis - The legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with GAAP. The budget basis differs from GAAP for encumbrances outstanding at fiscal year-end; compensated absences, fixed assets and inventories purchased in Proprietary Funds; compensated absences and inventories purchased in Higher Education Funds; certain loans from governmental funds; and other miscellaneous nonbudgeted activity (e.g., bad-debt write-offs, etc.). The General and Special Revenue Fund Type budgetary statement includes a reconciliation of unreserved fund balance between "Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses" on the budgetary basis and the GAAP basis.

3. OTHER ACCOUNTING ISSUES

A. Accounting and Reporting Changes - The State made changes in its accounting and reporting practices to enhance conformance with GAAP. All changes reported in the accompanying financial statements that resulted in the restatement of beginning fund equity were made to correct errors of prior periods.

B. State Compensation Insurance Fund - The workers' compensation benefit/claims expenditure amount (in thousands) of \$(2,545) reported in the component units column in the combined proprietary fund operating statement consists of the amount of benefits paid and the actuarially determined change in estimated claims liability for the State Compensation Insurance (New Fund) and State Compensation Insurance (Old Fund). The amounts for each fund are broken down as follows:

	STATE COMPENSATION INSURANCE NEW FUND	OLD FUND
Benefit and Loss Adjustment Expense	\$ 55,957	\$ 13,023
Incr (Decr) in Actuarially Estimated Claims	<u>(7,187)</u>	<u>(64,338)</u>
Total Benefits/Claims	<u>\$ 48,770</u>	<u>\$ (51,315)</u>

C. Year 2000 Issue - The Required Supplementary Information accompanying the financial statements details the significant amounts of resources committed and stages of work in process or completed to make computer systems and other electronic equipment year 2000 compliant.

4. CASH/CASH EQUIVALENTS AND INVESTMENTS

This footnote details the following balance sheet classifications (in thousands):

Cash/Cash Equivalents	\$ 1,603,499
Equity in Pooled Investments	\$ 5,904,368
Investments	\$ 1,436,667

Carrying amounts and fair values (Bank Balance for Cash Deposits) for the State's cash/cash equivalents and investments are presented in Tables 1 through 4.

A. General

(1) Cash and cash equivalents consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool, undeposited cash held by individual state agencies, and investments categorized as cash equivalents.

Cash deposited with the State Treasurer's pooled cash account is invested by the Montana Board of Investments (BOI) in short term securities and other investments. Because these funds are immediately available to the individual funds, their investment in the pooled cash account is reported as a cash equivalent. In addition to the State Treasurer's pooled cash account there is a short term investment pool (STIP) maintained by the BOI. This investment fund provides individual state agencies and local governments an opportunity to invest excess cash in a money market fund. Because these pooled funds are invested in short term, highly liquid investments, the individual funds' investments in the STIP are reported as a cash equivalent.

Although STIP, an external investment pool, is not registered with the Securities and Exchange Commission (SEC) as an investment company, the BOI has as policy that STIP will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. In meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values. Investments held are reported at fair value, annually, and the difference between amortized cost and fair value is reflected as an unrealized gain or loss in the investments managed. The portfolio is carried at amortized cost or book value. State agencies that are allowed to retain their investment earnings within their funds are only allowed to invest in STIP. Local government participation in STIP is also voluntary. Separately issued external investment pool financial statements may be obtained by contacting the Montana Board of Investments, 555 Fuller Avenue, Helena, MT 59620.

Deposits with financial institutions are categorized to indicate the level of risk assumed by the State. **Category 1** consists of deposits that are insured or collateralized with securities held by the State or by its agent in the State's name.

Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the State's name. **Category 3** deposits are uncollateralized. The State's Cash Deposits are categorized in Table 1.

The State's cash equivalents and investments are categorized to indicate the risk level assumed by the State in Table 2 - Cash Equivalents, Table 3 - Equity in Pooled Investments and Table 4 - Investments to disclose the level of risk assumed by the State at fiscal year-end.

Category 1 includes investments that are insured or registered securities held by the State or its agent in the State's name. **Category 2** includes uninsured and unregistered investments in which the securities are held by the counter party's trust department or agent in the State's name. **Category 3** includes uninsured and unregistered investments in which the securities are held by the counter party, or by its trust department or agent, but not in the State's name. None of the State's cash equivalents or investments are classified in Category 3 at fiscal year-end. **Not Categorized** includes investments held by broker-dealers under securities loans with cash collateral.

(2) The State invests in certain types of securities including asset-backed securities, variable-rate instruments, zero coupon bonds, preferred stocks (convertible equity securities), and mortgage-backed securities in addition to other long term investment securities to provide a diversified investment portfolio and an overall competitive rate of return. All securities are reported by investment portfolio and type in Table 2 - Cash Equivalents, Table 3 - Equity in Pooled Investments, and Table 4 - Investments.

Asset-backed securities represent debt securities collateralized by a pool of non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc.. These securities have less credit risk than do securities not backed by pledged assets, while market risk for asset-backed securities is the same as market risk for similar non asset-backed securities.

Variable-rate instruments pay a variable rate of interest until maturity. The variable rate floats with the 91 day treasury bill or the London Interbank Offered Rate (LIBOR). Variable-rate instruments have credit risk identical to similar fixed-rate securities; however, their market risk (income) is more sensitive to interest rate changes. Their market risk (value/price) may be less volatile than fixed-rate securities because their value will usually remain near par as a result of interest rates being periodically reset to maintain a current market yield.

Zero Coupon Bonds and Preferred Stocks include securities whose structure differs from the basic convertible security structure. These include PENs (Participating Equity Notes), PERCs (Preferred Equity Redemption Coupons), DECS (Dividend Enhanced Common Stock) and ACES (Automatically Convertible Equity Securities). PENs are corporate bonds offering the investor a choice at maturity of receiving the greater of the bond's par value or the value of a preset ratio of an established index. PERCs reflect an investor's acceptance of a cap in a security's price appreciation in exchange for a higher income yield. DECS and ACES are issued, and traded, at a premium to the underlying common stock in exchange for a higher dividend yield. The State's investment policy requires convertible debt and zero coupon bonds to be rated at a specific level at time of purchase as a credit risk control measure. These securities carry market risk and the potential for change in market value. Market value changes may occur due to interest rate changes, declines in the value of underlying common stock, or the triggering of a call feature and other factors.

Mortgage-backed securities reflect participation in a pool of residential mortgages. These securities include structured financial instruments known as REMICs (Real Estate Mortgage Investment Conduits). Some REMICs are principal-only strips (POS) and interest-only strips (IOS). These securities are based on the cash flows from the principal and interest payments on underlying mortgages, respectively. These securities have credit risk as measured by major credit rating services. The State's investment policy requires these investments to be rated "investment grade" at the time of purchase. Market risk for these securities is caused by changes in the price or principal value of the securities due to changes in interest rates.

There are no legal risks, as of June 30, 1999, that the State is aware of regarding any investments.

(3) Under the provisions of State statutes, the State has, via a Securities Lending Authorization Agreement, authorized the State's agent to lend the State's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the State receives a fee and the agent must initially receive collateral equal to 102% - 105% of the fair value of the securities on loan and maintain collateral equal to not less than 100% of the fair value of the loaned security. During fiscal year 1999, the State's agent loaned, on behalf of the State, certain securities held by the agent, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. The State's agent does not have the ability to pledge or sell collateral securities unless the borrower defaults. The State retains all rights and risks of ownership for the loaned securities. On June 30, 1999, the State had no credit risk exposure to borrowers.

B. Cash/Cash Equivalents

(1) **Cash Deposits** - The State requires collateralization based on the average daily bank balance in the depository bank holding the main State bank account. For other depository banks, State statutes require collateralization at 50% of the bank balance. The Cash Deposit amounts include both Primary Government and Component Unit deposits.

TABLE 1 - CASH DEPOSITS (In Thousands)

<u>Risk Category</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
1 Insured (FDIC)	\$ 1,449	\$ 1,449	Various
Collateral held by State/State's agent	21,055	21,055	Various
2	3,357	3,357	Various
3	388	388	Various
Uncategorized:			
Undeposited Cash	563		
Cash in U.S. Treasury	142,101		
Less: Outstanding Warrants	<u>(58,972)</u>		
TOTAL CASH DEPOSITS	<u>\$109,941</u>		

As of June 30, 1999, the carrying amount of deposits for component units was \$39,051,834 and the bank balance was \$38,758,580. Of the bank balance, \$38,692,032 was fully insured or collateralized with securities held by the component units or their agent's in the unit's name and \$66,548 was collateralized with securities held by the pledging institution's trust department or its agent in the respective component unit's name.

(2) **Cash Equivalents** - consists of cash in the State Treasury invested by individual funds in the Short Term Investment Pool (STIP) and the Treasurer's Cash Pool in identifiable securities and investments considered to be cash equivalents. Cash equivalents, except for the Housing Authority in the Component Unit Proprietary Fund, generally are short-term, highly liquid investments with original maturities of three months or less. The Housing Authority considers cash and cash equivalents to be cash held by the State Treasurer, other cash deposits, and mortgage payments in transit. Cash equivalents may be under the control of the Board of Investments (the Board) or other agencies, as allowed by law.

TABLE 2 - CASH EQUIVALENTS (In Thousands)

	<u>Risk Category 1</u>			<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Fund</u>
	<u>Securities Not on Loan</u>	<u>On Loan for Securities Collateral*</u>	<u>Not Categorized*</u>			
Asset-Backed Securities	\$ 269,844	\$ -	\$ -	\$ 269,844	\$ 270,694	Various
Corporate Obligations	502,223	-	504	502,727	501,387	Various
Government Securities	55,741	10,011	195,177	260,929	259,970	Various
Repurchase Agreements	76,000	-	-	76,000	76,000	Various
Variable-Rate	333,232	-	-	333,232	333,174	Various
Direct Investments:						
Money Markets				18,655	18,655	Various
Guaranteed Investment Contracts				<u>32,171</u>	<u>32,171</u>	Various
TOTAL CASH EQUIVALENTS				<u>\$1,493,558</u>	<u>\$1,492,051</u>	
Securities Lending Collateral Investment Pool			<u>\$ 67,477</u>	<u>\$ 67,477</u>	<u>\$ 67,477</u>	

* At June 30, 1999, the underlying securities, with fair values of \$9,857,800 and \$195,143,373, respectively, were loaned for securities and cash collateral under a security lending agreement with the State's agent.

As of June 30, 1999, local governments invested \$468,786,467 in the STIP.

As of June 30, 1999, component units of the State of Montana had investments in cash equivalents with a book value and fair value of \$274,694,651.

C. Equity in Pooled Investments - Consists of investments held by pooled investment funds. The Montana Stock Pool (MTCP), Trust Funds Bond Pool (TFBP), Retirement Funds Bond Pool (RFBP), Montana International Pool (MTIP), and Montana Real Estate Pool (MTRP) were created to allow qualifying funds to participate in diversified investment pools. Participation is restricted to expendable trust, nonexpendable trust, pension trust, higher education endowment and trust funds, the Deferred Compensation Plan and specific trusts established within the state special revenue fund. Purchases are subject to statutory restrictions for quality and size of holdings.

TABLE 3 - EQUITY IN POOLED INVESTMENTS (In Thousands)

	Risk Category 1				
	Securities Not on Loan	On Loan for Securities Collateral*	Not Categorized*	Carrying Amount	Fair Value
MTCP:					
Corporate Stocks	\$1,350,854	\$ -	\$ 25,695	\$ 1,376,549	\$ 2,579,172
TFBP:					
Corporate Asset Backed	16,936	-	-	16,936	17,191
Corporate Stocks	603,228	-	1,064	604,292	604,803
US Govt. Mortgage Backed	34,050	-	-	34,050	33,783
US Govt. Direct	61,586	-	143,542	205,128	214,919
Yankee Bonds	82,579	-	-	82,579	80,684
State and Local Government	28,147	-	-	28,147	28,150
RFBP:					
Corporate Asset Backed	21,029	-	-	21,029	21,265
Corporate Stocks	1,105,580	-	10,496	1,116,076	1,114,960
US Govt. Mortgage Backed	75,806	-	-	75,806	76,648
US Govt. Direct	183,362	-	249,616	432,978	456,445
Yankee Bonds	131,828	-	524	132,352	129,105
State and Local Government	3,650	-	-	3,650	3,650
MTIP:					
BOI Internal International	51,667	279	18,028	69,974	89,941
Pyford International	41,909	-	4,065	45,974	45,861
Schroder Capital Management	50,630	-	8,182	58,812	70,404
SG Pacific Asset Management	47,655	231	7,865	55,751	66,527
MTRP:					
Corporate Stocks	124,016	-	5,408	129,424	133,359
Total Pooled Investments	4,014,512	510	474,485	4,489,507	5,766,867
Other Pool Assets (Net)	-	-	-	137,501	137,501
TOTAL EQUITY IN POOLED INVESTMENTS	<u>\$4,014,512</u>	<u>\$ 510</u>	<u>\$ 474,485</u>	<u>\$4,627,008</u>	<u>\$5,904,368</u>
Securities Lending Collateral Investment Pool			\$ 553,514	\$ 553,514	\$ 553,514

* At June 30, 1999, these underlying securities, with fair values of \$707,179 and \$539,195,572, respectively, were loaned for securities and cash under a security lending agreement with the State's agent.

As of June 30, 1999, component units of the State of Montana had equity in pooled investments with a book value of \$2,872,044,735 and a fair value of \$4,896,070,352.

D. Investments - Long-term investments are primarily administered by three state agencies. Article 8 of Montana's Constitution, with supporting statutes, authorizes the Board of Investments (BOI) to manage the State's unified investment program. State law specifies which agencies may hold investments outside the administration of the BOI. The BOI, as the State's primary administrator of long-term investments, actively manages 80% of those investments; the Board of Housing, 11%; and the Department of Administration's Personnel Division, 8% for the State's Deferred Compensation Plan. Additionally, the Department of Natural Resources and Conservation manages 1% of total investments for bond related activities.

The BOI must employ the "Prudent Expert Rule" in managing the State's investment portfolio. Investments are presented in the Balance Sheet at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to the BOI's custodial bank or trustee. Amortized cost, or carrying value, represents the original cost adjusted for premium and discount amortization where applicable.

The BOI continued to invest in leveraged buyouts and venture capital in fiscal year 1999. The BOI's total leveraged buyout commitment, administered by Kohlberg, Kravis, Roberts and Companies, amounts to \$150,000,000. The leveraged buyout invested balance for the pension funds amounted to \$74,365,705 on June 30, 1999.

For the purpose of portfolio diversification, the BOI has committed \$93,000,000 for venture capital investments administered by Brinson Partners. The June 30, 1999, venture capital invested balance totaled \$11,539,281 for the Teachers' Retirement and \$14,103,538 for the Public Employees' Retirement systems.

TABLE 4 - INVESTMENTS (RISK CATEGORIES) (In Thousands)

	<u>Risk Category 1</u> <u>Securities</u> <u>Not on Loan</u>	<u>Risk</u> <u>Category 2</u>	<u>Not</u> <u>Categorized*</u>	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
PRIMARY GOVERNMENT					
Corporate Bonds	\$ 26,508	\$ -	\$ 1,472	\$ 27,980	\$ 27,996
Corporate Asset-Backed	27,624	-	-	27,624	27,599
Government Securities	31,608	-	25,428	57,036	56,978
Government Mortgage-Backed	2,560	-	-	2,560	2,495
Other	461	-	537	998	993
Total	<u>\$ 88,761</u>	<u>\$ -</u>	<u>\$ 27,437</u>	<u>\$ 116,198</u>	<u>\$ 116,061</u>
COMPONENT UNITS					
Corporate Bonds	\$ 234,287	\$ -	\$ 813	\$ 235,100	\$ 234,705
Corporate Asset-Backed	87,539	-	-	87,539	87,519
Government Securities	65,102	85,675	89,522	240,299	242,684
Government Mortgage-Backed	61,856	-	-	61,856	60,547
Other	20,015	64,289	-	84,304	84,016
Total	<u>468,799</u>	<u>149,964</u>	<u>90,335</u>	<u>709,098</u>	<u>709,471</u>
TOTAL	<u>\$ 557,560</u>	<u>\$ 149,964</u>	<u>\$ 117,772</u>	<u>\$ 825,296</u>	<u>\$ 825,532</u>
Direct Investments:					
PRIMARY GOVERNMENT					
Commercial Loans				118,780	118,780
Deferred Compensation				105,493	111,963
Total				<u>\$ 224,273</u>	<u>\$ 230,743</u>
COMPONENT UNITS					
Real Estate				\$ 9,257	\$ 9,228
Commercial Loans				7,872	7,813
Mortgages				229,426	222,725
Other				100,734	140,618
Total				<u>347,289</u>	<u>380,384</u>
TOTAL INVESTMENTS				<u>\$1,396,858</u>	<u>\$1,436,659</u>
Securities Lending Collateral					
Investment Pool			<u>\$259,130</u>	<u>\$ 259,130</u>	<u>\$ 259,130</u>

* At June 30, 1999, the underlying securities, with fair values of \$121,471,994 were loaned for cash collateral under a security lending agreement with the State's agent.

5. FIXED ASSETS

Changes in fixed asset balances for the fiscal year ended June 30, 1999, are reflected in the following table (Intrafund transfers of fixed assets have not been eliminated) (in thousands):

PRIMARY GOVERNMENT				
	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 1999</u>
PROPRIETARY FUNDS				
Land	\$ 1,036	\$ -	\$ -	\$ 1,036
Buildings/Improvements	5,390	655	-	6,045
Equipment	126,317	15,177	7,569	133,925
Other Fixed Assets	1,385	-	238	1,147
Construction in Progress	2,691	2,487	3,651	1,527
Subtotal/Total	<u>136,819</u>	<u>\$ 18,319</u>	<u>\$ 11,458</u>	<u>143,680</u>
Accumulated Depreciation	<u>(75,680)</u>			<u>(75,962)</u>
Total	<u>\$ 61,139</u>			<u>\$ 67,718</u>

	Balance July 1, 1998	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 1999
<u>NONEXPENDABLE TRUST FUNDS</u>				
Land	\$ 49,398	\$ 1,862	\$ -	\$ 51,260
Other Fixed Assets	-	1	1	-
Total	<u>\$ 49,398</u>	<u>\$ 1,863</u>	<u>\$ 1</u>	<u>\$ 51,260</u>

<u>GENERAL FIXED ASSETS ACCOUNT GROUP</u>				
Land	\$ 63,012	\$ 3,096	\$ 3,922	\$ 62,186
Buildings/Improvements	316,328	15,266	2,788	328,806
Equipment	62,307	5,454	4,283	63,478
Other Fixed Assets	49,680	231	261	49,650
Construction in Progress	23,362	16,987	2,215	38,134
Total	<u>\$ 514,689</u>	<u>\$ 41,034</u>	<u>\$ 13,469</u>	<u>\$ 542,254</u>

COMPONENT UNITS

<u>PROPRIETARY FUNDS</u>				
Equipment	\$ 2,317	\$ 512	\$ 171	\$ 2,658
Accumulated Depreciation	(1,329)			(1,543)
Total	<u>\$ 988</u>			<u>\$ 1,115</u>

<u>PENSION TRUST FUND</u>				
Land	\$ 60	\$ -	\$ -	\$ 60
Buildings/Improvements	435	-	-	435
Equipment	152	-	-	152
Subtotal/Total	647	\$ -	\$ -	647
Accumulated Depreciation	(338)			(370)
Total	<u>\$ 309</u>			<u>\$ 277</u>

<u>HIGHER EDUCATION FUNDS</u>				
Land	\$ 13,541	\$ 27	\$ 57	\$ 13,511
Buildings/Improvements	439,666	64,429	602	503,493
Equipment	92,357	11,741	3,301	100,797
Other Fixed Assets	83,013	5,564	361	88,216
Construction in Progress	66,019	55,454	53,552	67,921
Intangible Assets	3,341	161	231	3,271
Total	<u>\$ 697,937</u>	<u>\$ 137,376</u>	<u>\$ 58,104</u>	<u>\$ 777,209</u>

6. RETIREMENT SYSTEMS

DEFINED CONTRIBUTION PLAN

Effective January 1, 1988 through June 30, 1993, eligible employees of the Montana University System (MUS) could elect to participate in the Optional Retirement Program (ORP). The ORP is a defined contribution retirement plan governed by Title 19, chapter 21 of the Montana Code Annotated. The plan is underwritten by the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and only faculty and staff with contracts under the authority of the Board of Regents may participate. Those faculty and staff members who did not elect the ORP participate in the Teachers' Retirement System, a defined benefit plan discussed in the next section. Beginning July 1, 1993, membership in the ORP is mandatory for eligible employees new to the MUS. The MUS is the only employer contributing to this plan.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses and the employee's life expectancy at retirement. Under the ORP, each employee enters into an individual contract with TIAA-CREF. Individuals are immediately vested with all contributions. Higher education units record employee/employer contribution expenditures in the affected higher education subfund when remitting contributions to the Commissioner of Higher Education. These monies are recorded in the Custodial Accounts Agency Fund. The Commissioner's Office then wire transfers the contributions to TIAA-CREF. The MUS is not liable for asset management or for providing benefits after the required contributions have been made to TIAA-CREF. As of June 30, 1999, 3,239 employees are members of the ORP. Required employee contributions are 7.044% of salary and required employer contributions are 4.956% of salary for a total of 12% of salary contributed to the ORP.

	<u>TIAA-CREF</u> <u>(in thousands)</u>
Covered Payroll	\$ 72,274
Total Payroll	223,253
Employer Contributions	\$ 3,592
Percent of Covered Payroll	4.956%
Employee Contributions	\$ 5,093
Percent of Covered Payroll	7.044%

DEFINED BENEFIT PLANS

A. General

The Public Employees' Retirement Board, a discretely presented component unit of the State of Montana, administers eight defined benefit plans - Public Employees' Retirement System (PERS), Highway Patrol Officers' Retirement System (HPORS), Judges' Retirement System (JRS), Game Wardens' and Peace Officers' Retirement System (GWPORS), Sheriffs' Retirement System (SRS), Municipal Police Officers' Retirement System (MPORS), Firefighters' Unified Retirement System (FURS), and Volunteer Firefighters' Compensation Act (VFCA). The board prepares a publicly issued financial report that includes financial statements and required supplementary information for PERS, HPORS, JRS, GWPORS, SRS, MPORS, FURS, and VFCA.

The Teachers' Retirement System (TRS) is a discretely presented component unit of the State of Montana. The system prepares a publicly issued financial report that includes financial statements and required supplementary information for TRS.

A summary of government employers participating in PERS, SRS, MPORS, FURS, GWPORS and TRS by employer type at June 30, 1999 follows:

Retirement System						
	PERS	SRS	MPORS	FURS	GWPORS	TRS
Employers						
State Agencies	37	1			5	6
Counties	55	55				
Cities/Towns	88		21	14		
Colleges/Universities	6				3	12
School Districts	236					393
Other	82					
Total	504	56	21	14	8	411

B. Plan Descriptions

The State contributes to and/or administers nine plans in four categories: (1) the State as the single employer; (2) the State as an employer contributor to cost-sharing multiple-employer plans; (3) the State as a nonemployer contributor to cost-sharing multiple employer plans; and (4) the State as a nonemployer contributor.

The number of years required to obtain vested rights varies among the systems. All systems provide early retirement options, death benefits, termination and disability benefits. The post-retirement benefits of each of the systems are included in the plan descriptions below. In addition, the 1997 Legislature passed a guaranteed annual benefit adjustment (GABA) to the PERS, MPORS, GWPORS, SRS, JRS, HPORS, and FURS that will provide a benefit increase of 1.5% each January, beginning January 1998, if the recipient has been receiving a retirement benefit for at least 36 months. In addition, MPORS, JRS, HPORS & FURS members hired prior to July 1, 1997, and retirees of these systems, were required to make an election by December 31, 1997, for GABA coverage.

The funding policies for each system provide for periodic employer and employee contributions (except VFCA) at rates specified by state law; contribution requirements are not actuarially determined. An actuary determines the actuarial implications of the funding requirement in a biennial actuarial valuation. The actuarial method used to determine the implications of the statutory funding level is the entry age normal cost method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payroll. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost in addition to amortizing the unfunded liability over a period not to exceed 30 years.

(1) State as the Single Employer

HPORS - Highway Patrol Officers' Retirement System - This system, established in 1971 and governed by Title 19, chapters 2 & 6 of the Montana Code Annotated (MCA), provides retirement benefits for all uniformed members of the Montana Highway Patrol, including supervisory personnel. Rights are vested after five years of service. Member contributions are 9% of total salaries of active highway patrol officers hired prior to July 1, 1997 and not electing GABA coverage; and 9.05% for members hired after June 30, 1997 and members electing GABA coverage. The employer contribution rate is 36.33% of active officers' salaries. For members hired on or before July 1, 1985, there is no minimum age, but minimum service is 20 years for benefit eligibility. A member hired after July 1, 1985, must be 50 years old and have 20 years of creditable service for benefit eligibility. The service retirement benefit is based on a formula of 2.5% times the number of years of service times the final average salary. Post-retirement benefits, for non-GABA members, are in the form of minimum benefit supplements which ensure the retiree's benefit is no less than 2% of a probationary highway patrol officer's salary for each year of the retiree's service, with the annual increase not to exceed 5% of the benefit nor 60% of the current base salary of a probationary officer. Members retired prior to July 1, 1991, who are at least age 55 and have been retired a minimum of five years, may be eligible for an annual lump sum payment distributed in September. This lump sum payment is funded by a registration fee of 25 cents per vehicle license. The average payment in fiscal year 1999 was \$2,025. This enhancement is limited to non-GABA members.

JRS - Judges' Retirement System - This system, established in 1967 and governed by Title 19, chapters 2 & 5 of the MCA, provides retirement benefits for all district court judges, justices of the Supreme Court, and the Chief Water Judge. Members contribute 7% of their salaries and the State contributes 25.81% of active judges' salaries. Rights are vested after five years of creditable service. For benefit eligibility, minimum service is five years and the minimum age is 65. The monthly retirement benefit formula is $3\frac{1}{3}\%$ per year of the member's final average salary for the first 15 years of credited service, plus 1.785% per year for each year of credited service after 15 years. For non-GABA members, the percentages are based on the member's current salary, instead of the final average salary.

(2) State as an Employer Contributor to Cost-Sharing Multiple-Employer Systems

PERS - Public Employees' Retirement System - This mandatory system, established in 1945 and governed by Title 19, chapters 2 & 3 of the MCA, provides retirement benefits to substantially all public employees not covered by another public system. Member contributions were 6.8% of covered compensation for fiscal year 1999. Each state agency and university system employer contributed 6.8% of PERS covered payroll during fiscal year 1999. Participating local governments and school district employers contributed 6.7% of PERS covered payroll. The State contributed 0.1% for local governments and school district employers from the state general fund. Effective July 1, 1999, member contribution rates increase to 6.9%. The employer contribution rate increases to 6.9% for all state and university employers. The rate will increase to 6.8% for local government and school district employers, and the State will continue to contribute 0.1% of compensation from the state general fund. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking the greater of: (1) 1.785% times the number of years of service times the final average salary times any early retirement reduction if necessary or (2) a monthly annuity that is the actuarial equivalent of twice the member's accumulated regular contributions. Members' rights are vested after five years of service.

TRS - Teachers' Retirement System - This mandatory system, established in 1937 and governed by Title 19, chapter 20 of the MCA, provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, or unit of the university system. Member and employer contributions are 7.044% and 7.47%, respectively, of earned compensation. Eligibility is met with a minimum of 25 years of service or age 60 with 5 years of creditable service. The formula for annual benefits is 1.6667% times creditable service years times the average final compensation. Rights are vested after five years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Effective January 1, 1988, university system employees eligible to participate in the Teachers' Retirement System could elect to participate in an Optional Retirement Plan established by the Board of Regents. A supplemental employer contribution to TRS is required to be amortized by July 1, 2003, the amount that would not be paid for by contributions of university system members. The fiscal year 1999 contribution percentage of the total compensation of employees participating in the ORP program is 3.12% and the contribution is \$2.1 million. The unfunded actuarial accrued liability is included in the Schedules of Funding Progress.

SRS - Sheriffs' Retirement System - This system, established in 1974 and governed by Title 19, chapters 2 & 7 of the MCA, covers all sheriffs, and State Department of Justice investigators hired after July 1, 1993. The member contribution is 9.245% of salary; the employer contribution is 9.535% of salary. Minimum years of service for normal service retirement eligibility are 20. The service retirement benefit is calculated at 2.5% of the final average salary for each year of creditable service. Reduced benefits for early retirement may be taken with a minimum of five years of service and a minimum age of 50. Rights are vested after five years of service.

GWPORS - Game Wardens' & Peace Officers' Retirement System - This system, established in 1963 and governed by Title 19, chapters 2 & 8 of the MCA, provides retirement benefits for all persons employed as a game warden, warden supervisory personnel and state peace officers not eligible to join the SRS, HPORS and MPORS systems. The member contributes 8.5% of salary and the State contributes 9.0% of covered active employees' salaries. For benefit eligibility, minimum age is 50 and minimum years of service are 20. If subject to involuntary termination, a member may retire with five years of service at age 55. The yearly retirement benefit formula is 2% times the number of years of service times the final average salary. Rights are vested after five years of service. PERS members who are hired into a position covered by the GWPORS have 30 days to elect membership in the GWPORS or remain in PERS.

(3) State as a Nonemployer Contributor to Cost-Sharing Multiple-Employer Systems

MPORS - Municipal Police Officers' Retirement System - The system, established in 1975 and governed by Title 19, chapters 2 & 9 of the MCA, covers all municipal police officers of cities covered by the plan. It is a cost-sharing plan with a special funding situation. The member contribution is 7.8% of salary for members employed prior to July 1, 1975; 9% of salary for members employed after June 30, 1975, and prior to July 1, 1979; 10.5% of salary for members employed after June 30, 1979 and prior to July 1, 1997; and 11% for members hired on or after July 1, 1997 and members electing GABA. City contributions are 14.41% of active police officers' salaries. The State contributes 29.37% of active police officers' salaries. The State's contribution is funded from the general fund. Rights are vested after five years of service. Minimum years of service are five for benefit eligibility at age 50, or 20 years of service at any age. The service retirement benefit is 2.5% times the number of years of service times the final average compensation. For non-GABA members, a minimum benefit adjustment is required to insure that the retired member's benefit is not less than one-half of the compensation paid to newly confirmed police officers in the city that last employed the member.

FURS - Firefighters' Unified Retirement System - This system, established in 1981 and governed by Title 19, chapters 2 & 13 of the MCA, provides retirement benefits for firefighters employed by first and second class cities and other cities that wish to adopt the plan. It is a cost-sharing plan with a special funding situation. The member contribution is 9.5% of compensation for members hired prior to July 1, 1997, and 10.7% for new hires after June 30, 1997, and for members electing GABA coverage. City contributions are 14.36% of total annual compensation. The State contribution is 32.61% of total annual compensation for all firefighters and is paid out of the general fund. Minimum benefit eligibility is 20 years regardless of age; unless hired prior to July 1, 1981, then only 10 years are required. For members not electing GABA and hired prior to July 1, 1981, monthly retirement benefit is 50% of final average compensation plus 2% per year for each year in excess of 20 years, or 2.5% of final average compensation per year. Members hired before July 1, 1981, with a minimum of ten years but less than 20 years, receive a retirement benefit of 2% per year of service. Members electing GABA and hired after July 1, 1981, receive 2.5% per year of service. Post-retirement benefits, for non-GABA members, require that each retiree receive at least 50% of the salary paid a newly confirmed active firefighter. Rights are vested after five years of service.

(4) State as a Nonemployer Contributor

VFCA - Volunteer Firefighters' Compensation Act - This compensation program, established in 1965 and governed by Title 19, chapter 17 of the MCA, provides medical benefits and pension, disability and death benefits for all volunteer firefighters who are members of eligible volunteer fire companies in unincorporated areas of the state. VFCA is a plan with a special funding situation. The State contribution is 5% of fire insurance premium taxes collected. Rights are vested after ten years of qualified service. Eligibility requirements are 55 years of age and 20 years qualified service for a full benefit or 60 years of age and a minimum of 10 years qualified service for a partial benefit.

C. Summary of Significant Accounting Policies

The defined benefit plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

D. Method Used to Value Investments

The Montana Board of Investments (BOI) manages the investments for the retirement systems. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value. These values are based on market prices supplied to the BOI by its custodial bank, State Street Bank, and various brokerage services. The retirement systems have no investments of any commercial or industrial organization whose fair value equals 5% or more of the retirement systems' net assets available for benefits.

E. Long-Term Contracts for Contributions

The Public Employees' Retirement System has outstanding contributions for early retirement programs:

The 1993 Montana Legislature enacted House Bill 517--Retirement Incentive Program (RIP) providing PERS members (eligible for a service retirement) an incentive to terminate between June 25, 1993 and December 31, 1993. Local government employers participated through election on or before June 1, 1993. The employer purchased, on the member's behalf, one year of additional service for each five years of qualified service ("1 for 5"), up to a maximum of three years, for any retirement eligible member who terminated employment during the defined time period. A total of 898 members took advantage of the program (630 from 32 state agencies, 95 from 6 universities, and 173 from 48 local government agencies).

The Montana Legislature also provided a new provision of the Employee Protection Act (EPA) (19-2-706, MCA) allowing State employees (eligible for a service retirement) whose positions have been eliminated to have their employer purchase up to three years of "1 for 5" additional service. As of June 30, 1999, 184 employees have taken advantage of the provision.

The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. Total retirement incentive contributions received (including interest) during fiscal year 1999 totaled \$167,928. June 30, 1999, outstanding balances are \$445,614.

F. Actuarial Data

Actuarial valuations are performed every two years. Hendrickson, Miller & Associates Inc., Helena, MT, prepared the actuarial reports for the retirement systems, excluding TRS, before July 1, 1998. Employee Benefit Resources, LLP, of Helena, MT, prepared the July 1, 1998, actuarial reports for the retirement systems, excluding TRS. Milliman & Robertson, Inc., of Seattle, WA., performed the actuarial valuation for TRS.

G. Funding Policy and Annual Pension Cost

The following tables provide information concerning funding policies and annual pension costs (in thousands):

Single Employer Systems		
	HPORS	JRS
Annual pension cost	\$ 2,602	\$ 823
Contributions		
Employer	\$ 1,652	\$ 823
Employee	598	223
License and Registration fees	942	-
Actuarial valuation date	7/01/98	7/01/98
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of total salaries, open	Level percentage of total salaries, open
Remaining amortization period	20.28 years	24.64 years
Asset valuation method	4 year smoothed market	4 year smoothed market
Actuarial Assumptions:		
Investment rate of return	8.0%	8.0%
Projected salary increases (includes inflation factor)	6.0%	5.5%
Cost of living adjustment	6.0%	5.5%
Postretirement benefit increases	None	None

Single Employer Systems			
Year Ended	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
HPORS			
06/30/97	\$ 2,570	100.0%	NONE
06/30/98	\$ 2,595	103.2%	NONE
06/30/99	\$ 2,602	99.7%	NONE
JRS			
06/30/97	\$ 1,128	87.5%	\$3,086
06/30/98	\$ 843	100.0%	NONE
06/30/99	\$ 823	100.0%	NONE

Multiple Employer Systems			
Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
PERS			
06/30/97	\$ 43,182	100.0%	NONE
06/30/98	45,223	100.0%	NONE
06/30/99	47,125	101.6%	NONE
MPORS			
06/30/97	\$ 7,355	100.0%	NONE
06/30/98	7,840	100.0%	NONE
06/30/99	8,297	99.8%	NONE
FURS			
06/30/97	\$ 6,811	100.0%	NONE
06/30/98	7,094	97.8%	NONE
06/30/99	7,401	99.4%	NONE
SRS			
06/30/97	\$ 1,618	100.0%	NONE
06/30/98	1,919	100.0%	NONE
06/30/99	1,995	104.4%	NONE
GWPORS			
06/30/97	\$ 242	100.0%	NONE
06/30/98	706	100.0%	NONE
06/30/99	892	104.4%	NONE
TRS			
06/30/97	\$ 41,640	100.0%	NONE
06/30/98	44,476	100.0%	NONE
06/30/99	44,987	100.0%	NONE

H. Schedules of Funding Progress

Single Employer Systems						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
HPORS						
07/01/94	\$40,466	\$63,327	\$22,861	63.90%	\$5,650	404.60%
07/01/96	47,325	67,709	20,384	69.90%	6,242	326.57%
07/01/98	59,531	78,722	19,191	75.62%	6,201	309.48%
JRS						
07/01/94	\$21,281	\$23,171	\$ 1,890	91.84%	\$2,777	68.06%
07/01/96	24,944	27,723	2,779	89.98%	2,907	95.61%
07/01/98	31,646	29,017	(2,629)	109.06%	3,144	(83.62)%

Multiple Employer Systems						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
PERS						
07/01/94	\$1,366,864	\$1,625,720	\$258,856	84.08%	\$572,974	45.18%
07/01/96	1,629,706	1,826,207	196,500	89.24%	608,592	32.29%
07/01/98*	2,128,065	2,300,328	172,263	92.51%	660,579	26.08%
MPORS						
07/01/94	\$ 56,209	\$ 90,507	\$ 34,298	62.10%	\$ 13,395	256.05%
07/01/96	70,068	105,664	35,596	66.31%	15,828	224.90%
07/01/98	94,908	173,642	78,734	54.66%	17,873	440.52%
FURS						
07/01/94	\$ 54,647	\$ 113,153	\$ 58,506	48.29%	\$ 12,424	470.90%
07/01/96	67,745	131,111	63,366	51.67%	13,783	459.75%
07/01/98	89,988	169,006	79,018	53.25%	15,104	523.15%
SRS						
07/01/94	\$ 55,220	\$ 42,978	\$ (12,242)	128.48%	\$ 15,869	(77.14)%
07/01/96	68,647	52,751	(15,895)	130.13%	17,890	(88.85)%
07/01/98	92,160	81,077	(11,083)	113.67%	20,127	(55.06)%
GWPORS						
07/01/94	\$ 16,297	\$ 16,389	\$ 92	99.44%	\$ 2,494	3.70%
07/01/96	18,160	17,325	(835)	104.82%	2,762	(30.23)%
07/01/98	23,190	22,412	(778)	103.47%	7,839	(9.92)%
TRS						
07/01/94	\$1,157,512	\$1,712,933	\$555,421	67.6%	\$472,860	117.4%
07/01/96	1,376,716	1,939,569	562,853	71.0%	501,516	112.2%
07/01/98**	1,809,037	2,342,690	533,653	77.2%	529,795	100.7%

* PERS July 1, 1998 results adjusted by actuary.

** TRS July 1, 1998 results adjusted for 1.5% guaranteed annual benefit adjustment and \$500 minimum benefit for legislation which passed in April 1999 and the new salary scale adopted in November 1998.

Nonemployer Contributor						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
VFCA						
07/01/93	\$ 8,760	\$15,211	\$6,451	57.59%	N/A	N/A
07/01/96	11,504	16,636	5,132	69.15%	N/A	N/A
07/01/98	13,941	18,354	4,413	75.96%	N/A	N/A

7. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, Retirement Systems, the following postemployment benefits are provided:

The State provides 18 to 36 months optional postemployment health care benefits in accordance with Public Law 99-272, known as the Federal Consolidated Omnibus Reconciliation Act (COBRA) to the following employees and dependents who elect to continue and pay administratively established premiums: (1) employees who are receiving employee health care benefits at the time they discontinue State employment and (2) dependents who lose dependent eligibility. At June 30, 1999, 105 certificate holders were receiving these benefits.

In accordance with section 2-18-704, MCA, the State also provides optional postemployment health care benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Retirement eligibility criteria differ by retirement system (See Note 6). Administratively established medical premiums vary between \$127 and \$324 per month depending on the medical plan selected, family coverage and Medicare eligibility. The State acts as secondary payor for retired Medicare-eligible claimants. As of June 30, 1999, 3,045 retirees were receiving health care benefits.

The State reimburses all validated medical claims less member obligations (annual deductibles and co-payments of the member's selected medical plan). Dental claims are reimbursed at 50% to 100% depending on the services provided. The State funds claims on a pay-as-you-go basis. During the fiscal year, expenditures of \$13,214,473 were recognized for postemployment health care benefits. Premium contributions received from former employees amounted to \$8,641,404 leaving \$4,573,069 of claims in excess of premium revenue paid by the State.

In accordance with section 2-18-702, MCA, the Montana University System (MUS) provides postretirement health insurance benefits to eligible employees who receive a retirement benefit from the Teachers' Retirement System, Public Employees' Retirement System, or an annuity under the Optional Retirement Plan and have been employed by the MUS at least 5 years. Spouses, unmarried dependent children, and surviving spouses are also eligible. Administratively established premiums vary between \$143 and \$419 per month and are revised annually. Medicare eligible plan members are assumed to be Medicare insured. After an annual \$500 deductible for non-Medicare eligible retirees, the MUS plan reimburses 75% of the first \$8,000 in medical claims and 100% thereafter. After a \$350 deductible for Medicare eligible retirees, the plan reimburses 75% for the first \$4,000 in medical claims and 100% thereafter. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare. As of June 30, 1999, 1,275 retirees were enrolled in the MUS plan. Funding for the retiree health plan is on a pay-as-you-go basis. Based on amounts recorded through June 1999, estimated expenditures of \$4,290,864 were recognized for postemployment health care benefits. Of this amount \$3,084,786 was paid by retirees through premiums and the balance of \$1,206,078 was paid by the MUS.

8. DEFERRED COMPENSATION PLAN

Since 1976, the State of Montana has offered a deferred compensation plan which allows employees to set aside a portion of their salary toward retirement while deferring the State and Federal income taxes until future years. The compensation deferred is not available to employees until separation from State service, retirement, death or upon an unforeseeable emergency, when still employed and meeting IRS specified criteria. The plan is governed by Internal Revenue Service Code (IRC) Section 457 and Title 19, chapter 50, Montana Code Annotated (MCA). The Small Business Job Protection Act of 1996 resulted in changes to IRC Section 457; Title 19, chapter 50, MCA reflects these changes. Assets of the deferred compensation plan are required to be held in trusts, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries.

All employees of the State, including the Montana University System and contracted employees, are eligible to participate. Participating employees are able to invest their deferrals in two primary options: 1) a "fixed" or stable value option which guarantees both principal (the payroll deferral) and a quarterly rate of earnings; and 2) a "variable" option which currently consists of twenty-seven (27) mutual funds. Participating employees are allowed to utilize both options and, under the variable option, as many of the offered mutual funds as they choose. As of June 30, 1999, the net assets of the Plan were \$179.924 million.

9. RISK MANAGEMENT

There are two Primary Government public entity risk pools and two Component Unit public entity risk pools that are reported within the Enterprise Fund Type: Primary Government pools include Hail Insurance and Subsequent Injury Funds; Component Unit pools include State Compensation Insurance (New Fund) and State Compensation Insurance (Old Fund). Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims including the effects of inflation and other societal/economic factors. There are three Primary Government Other Than Public Entity Risk Pools reported within the Internal Service Fund Type: Group Employees' Comprehensive Medical and Dental Plan, Montana University System (MUS) Group Benefits Plan and Property and Casualty Insurance Plans. In all of these funds there are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage. None of these funds have acquisition costs; therefore, no cost is amortized for the period. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock. Investments are recorded at fair value. Premiums and discounts are amortized using the straight-line method over the life of the securities.

A. Public Entity Risk Pools

(1) **Hail Insurance** - Any Montana producer engaged in growing crops subject to destruction or damage by hail may participate in the hail insurance program. The Hail Insurance program issued 2003 policies during the 1999 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs and claims paid for hail damage. Depending upon the actuarial soundness of the reserve fund and the damage in a season, producers may receive a premium refund. Anticipated investment income is considered in computing a premium deficiency of which there is none.

A claim must be submitted to the State Board of Hail Insurance within fourteen days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain which exceeds 5% destruction by hail.

The fund recorded a liability of \$200,019 based on estimated claims through June 30, 1999. Any crop insurance liability is paid to producers within one year of occurrence; therefore, liabilities are not discounted. The fund has no excess insurance, reinsurance, or annuity contracts.

(2) **Subsequent Injury** - This fund provides benefits to workers, certified as a person with a disability, who are injured on the job and entitled to benefits under the Workers' Compensation or Occupational Disease Act at the time of injury. The liability of the insurer for payment of compensation benefits is limited to 104 weeks of benefits actually paid. This fund will reimburse the insurer for all benefits paid after this 104 week time period. In Montana, there are 2,340 individuals with certified disabilities.

Workers' compensation insurance premium experience modification factors are influenced by the 2 year limitation and employers may experience an insurance premium reduction. Therefore, this fund provides employers with a potential incentive for hiring a person with a certified disability.

This fund makes no provision for insured events of the current year. All Montana insurers are annually assessed a percentage of their paid losses sufficient to cover paid losses reimbursed from the fund in the preceding calendar year and the expenses of administration, less other income. An estimated liability is recorded based on a projected cost analysis (case-by-case) of each injured person with a certified disability. As of June 30, 1999, the amount of this liability is estimated to be \$2,105,567.

(3) **State Compensation Insurance (New Fund)** - Liability coverage to employers for injured employees who are insured under the Workers' Compensation and Occupational Disease Acts of Montana and workers' compensation claims occurring on or after July 1, 1990, are reported in the New Fund. The New Fund must insure any employer who desires coverage. At fiscal year-end, approximately 23,269 employers were insured with the New Fund. Montana state governmental agencies must obtain their workers' compensation coverage through the New Fund. Anticipated investment income is considered for computing a premium deficiency and employers must pay premiums to the New Fund within specified time frames.

An actuarial study prepared by Tillinghast - Towers Perrin, as of June 30, 1999, has estimated liabilities and the ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. Because actual claim costs depend on such complex factors as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. As of June 30, 1999, \$303,500,030 of unpaid claims and claim adjustment expenses are presented at face value. When the New Fund purchases annuity contracts, the claim is settled in full and on a final basis, and all liability of the New Fund is terminated.

The New Fund uses reinsurance agreements to reduce its exposure to large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the fund as direct insurer. The New Fund did not deduct any claim liabilities related to potential reinsurance recoverable.

Statute requires the New Fund set premiums at least annually at a level sufficient to ensure adequate funding of the insurance program during the period the rates will be in effect. Statute also requires the New Fund to establish a minimum surplus balance of 25% of annual premium revenue.

(4) State Compensation Insurance (Old Fund) - The liability and payment of worker's compensation claims for incidents occurring before July 1, 1990 are reported in the Old Fund. Funding for claim payments was accumulated through an Old Fund Liability Tax (OFLT) imposed on employers' payroll, employees' wages and sole proprietors' and subchapter S shareholders' distributive income. In 1999, the 56th Legislature determined that the fund was adequately funded and discontinued the OFLT. This fund does not compute a premium deficiency.

An actuarial study prepared by Tillinghast-Towers Perrin, as of June 30, 1999, was used to estimate liabilities and the ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. At June 30, 1999, \$185,064,668 of unpaid claims and claim adjustment expenses are presented at net present value of \$130,063,841, discounted at a 5.5% rate. In previous years, the unpaid claims and unpaid claim adjustment expenses were presented at face value. Total Old Fund surplus as of June 30, 1999, is \$14,376,735 compared to a deficit of \$70,585,411 as of June 30, 1998, for a change of \$84,962,146. Of this change, \$55,000,827 is due to discounting the unpaid claims and claim adjustment expenses.

(5) Changes in Claims Liabilities For the Past Two Years - As indicated above, these funds establish liabilities for both reported and unreported insured events including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

<u>Primary Government</u>	<u>HAIL INSURANCE</u>		<u>SUBSEQUENT INJURY</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 475	\$ 505	\$ 1,017	\$ 1,154
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current year	2,221	1,601	-	-
Increase (Decrease) in provision for insured events of prior years	(129)	(65)	1,324	100
Total incurred claims and claim adjustment expenses	2,092	1,536	1,324	100
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	(1,762)	(996)	-	-
Claims and claim adjustment expenses attributable to insured events of prior years	(605)	(570)	(235)	(237)
Total payment	(2,367)	(1,566)	(235)	(237)
Total unpaid claims and claim adjust. exp. at end of the year	\$ 200	\$ 475	\$ 2,106	\$ 1,017

<u>Component Units</u>	<u>STATE COMPENSATION INSURANCE (NEW FUND)</u>		<u>STATE COMPENSATION INSURANCE (OLD FUND)</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$310,687	\$344,632	\$194,401	\$205,678
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current year	69,390	69,277	-	-
Increase (Decrease) in provision for insured events of prior years	(15,791)	(44,165)	3,686	3,347
Total incurred claims and claim adjustment expenses	53,599	25,112	3,686	3,347

Component Units	STATE COMPENSATION INSURANCE (NEW FUND)		STATE COMPENSATION INSURANCE (OLD FUND)	
	1999	1998	1999	1998
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	(14,878)	(12,942)	-	-
Claims and claim adjustment expenses attributable to insured events of prior years	(45,908)	(46,115)	(13,023)	(14,624)
Total payment	(60,786)	(59,057)	(13,023)	(14,624)
Total unpaid claims and claim adjust. exp. at end of the year	\$303,500	\$310,687	\$185,064	\$194,401

(6) Risk Management Trend Information

The following table only presents risk management trend information for the State Compensation Insurance (New Fund). Only the New Fund has a three to five year development cycle contemplated by GASB Statement 10. The State Compensation Insurance (Old Fund) does not charge a premium for its services; its funding source is the old fund liability tax. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no three to five year development cycle. State statute limits the payment of claims and the collection of premiums (and penalties) for the Subsequent Injury Fund from any developmental cycle.

The table below illustrates how the earned revenues (net of reinsurance) of the New Fund and its investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of the fiscal year (in thousands). Section 3 shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 6 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Section 7 compares the latest reestimated incurred claims amount to the amount originally established (Section 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be expanded and revised as data for successive policy years develops.

	STATE COMPENSATION INSURANCE (NEW FUND)				
	1991	1992	1993	1994	1995
1. Premiums and Investment Revenue					
Earned	\$117,215	\$157,741	\$207,290	\$223,309	\$184,149
Ceded	231	270	289	318	269
Net Earned	\$116,984	\$157,471	\$207,001	\$222,991	\$183,880
2. Unallocated expenses including overhead	\$ 9,853	\$ 11,697	\$ 13,177	\$ 14,234	\$ 15,701
3. Estimated losses and expenses end of accident year					
Incurred	\$133,819	\$183,425	\$186,480	\$199,890	\$164,628
Ceded	-	-	-	-	-
Net Incurred	\$133,819	\$183,425	\$186,480	\$199,890	\$164,628
4. Net Paid (cumulative) as of:					
End of policy year	\$ 17,618	\$ 20,244	\$ 18,347	\$ 18,693	\$ 18,137
One year later	44,335	50,576	46,343	45,947	40,473
Two years later	64,079	68,837	62,717	60,971	52,073
Three years later	74,901	77,950	71,666	67,576	58,722
Four years later	81,747	83,173	76,280	72,212	62,419
Five years later	85,924	86,461	80,165	75,799	
Six years later	88,532	89,370	82,981		
Seven years later	91,235	91,902			
Eight years later	93,381				
5. Re-estimated ceded losses and Expenses	-	-	1,967	2,283	-

STATE COMPENSATION INSURANCE (NEW FUND)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
1. Premiums and Investment Revenue				
Earned	\$129,081	\$97,476	\$81,823	\$68,945
Ceded	<u>519</u>	<u>348</u>	<u>303</u>	<u>260</u>
Net Earned	\$128,562	\$97,128	\$81,520	\$68,685
2. Unallocated expenses including overhead	\$ 18,640	\$14,051	\$16,182	\$21,786
3. Estimated losses and expenses end of accident year				
Incurred	\$ 95,067	\$76,067	\$64,983	\$64,645
Ceded	<u>-</u>	<u>-</u>	<u>-</u>	<u>838</u>
Net Incurred	\$ 95,067	\$76,067	\$64,983	\$63,807
4. Net Paid (cumulative) as of:				
End of policy year	\$ 15,818	\$12,589	\$12,943	\$13,723
One year later	32,890	28,451	28,222	
Two years later	42,361	35,706		
Three years later	47,283			
Four years later				
Five years later				
Six years later				
Seven years later				
5. Re-estimated ceded losses and Expenses	2,471	7,439	1	838

STATE COMPENSATION INSURANCE (NEW FUND)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
6. Re-estimated net incurred losses and expense:					
End of policy year	\$133,819	\$183,425	\$186,480	\$199,890	\$164,628
One year later	166,980	184,968	184,030	184,920	124,123
Two years later	160,272	175,218	167,052	135,472	107,074
Three years later	151,554	161,184	133,017	116,756	95,456
Four years later	141,389	135,775	120,583	107,656	94,517
Five years later	130,250	125,084	111,208	105,052	
Six years later	121,568	119,780	109,415		
Seven years later	118,856	120,472			
Eight years later	118,948				
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	(\$14,871)	(\$62,953)	(\$77,065)	(\$94,838)	(\$70,111)

STATE COMPENSATION INSURANCE (NEW FUND)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
6. Re-estimated net incurred losses and expense:				
End of policy year	\$95,067	\$76,067	\$64,983	\$63,807
One year later	88,923	67,235	64,308	
Two years later	77,286	59,054		
Three years later	73,864			
Four years later				
Five years later				
Six years later				
Seven years later				
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	(\$21,203)	(\$17,013)	(\$675)	

B. Other Than Public Entity Risk Pools

(1) **Group Employee Comprehensive Medical and Dental Plan** - This plan is fully self-insured with the State assuming the risk for claims incurred by employees of the State, elected officials, retirees and their dependents, with three exceptions. The three outside insured products are: vision care insured by the Vision Service Plan Insurance Company, the Yellowstone Community Health Plan, an insured community health option (CHO) available to state employees in four counties in the Billings area and the New West Plan, an insured CHO available to state employees in several counties in the Missoula, Deer Lodge, Helena and Billings areas. Premiums are collected through payroll deductions, deductions through the Public Employees' Retirement Division and self-payment and are recorded as revenue in the Employees' Group Benefits Internal Service Fund. At June 30, 1999, estimates for claims liabilities, which include incurred but not reported claims, are \$6,903,426 and are based on a formula provided by The Segal Company, a consulting actuarial firm. A liability is reported in the accompanying financial statements for these estimated claims.

(2) **Montana University System (MUS) Group Benefits Plan** - This plan was authorized by the Regents to provide medical, dental, and vision insurance coverage to employees of the Montana University System, the Montana Higher Education Student Assistance Corporation (MHESAC), and the State Bar of Montana, as well as their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured. Blue Cross/Blue Shield is the claims administrator on the plan. Managed Care Montana (Blue Cross/Blue Shield of Montana) has a contract for utilization management. The utilization management program consists of hospital pre-authorization, case management and medical necessity review. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance Internal Service Fund. The claims liability is calculated by Buck Consultants and estimated to be \$1,877,844 as of June 30, 1999, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

(3) **Property & Casualty Insurance Plans** - This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage, foster care liability and State-administered foreclosure housing units. The State self-insures the \$150,000 deductible per occurrence for most property insurance as well as various deductible amounts for other state property. The State also self-insures against losses of property below \$150,000 of value, with State agencies paying the first \$1,000. Commercial property insurance protects approximately \$2.1 billion of State-owned buildings and contents. The State property insurance includes annual earthquake and flood protection of \$400 million and \$100 million, respectively, with deductibles of \$1 million for earthquake and \$500,000 for flood per occurrence. Premiums are collected from all State agencies including Component Units and recorded as revenue in the Administration Insurance Internal Service Fund.

An annual actuarial study, prepared by Tillinghast, a Towers Perrin Company, and issued for the accident period July 1, 1991, through June 30, 1998, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. The June 30, 1999, estimated claims liability of \$17,099,859, discounted and assumes an annual rate of return of 4%, including those claims incurred but not reported, and is reported in the accompanying financial statements (See Note 14).

(4) **Changes in Claims Liabilities For the Past Two Years** - These funds establish liabilities for both reported and incurred but not reported claims. The following table presents changes in the balances of claims liabilities during the past two fiscal years (in thousands):

	Group Employees Medical & Dental		MUS Group Benefits		Prop. & Casualty Insurance	
	1999	1998	1999	1998	1999	1998
Amount of claims liabilities at the beginning of each fiscal year	\$ 6,501	\$ 7,156	\$ 1,942	\$ 3,700	\$13,771	\$12,825
Incurred claims:						
Provision for insured events of the current year	46,100	42,936	19,710	22,076	4,997	5,185
Increases (Decreases) in provision for insured events of prior years	402	(655)	(64)	(1,758)	4,438*	748
Total incurred claims	46,502	42,281	19,646	20,318	9,435	5,933
Payments:						
Claims attributable to insured events of the current year	(46,100)	(42,936)	(19,710)	(22,076)	(562)	(1,436)
Claims attributable to insured events of prior years	-	-	-	-	(5,544)	(3,551)
Total Payments	(46,100)	(42,936)	(19,710)	(22,076)	(6,106)	(4,987)
Total claims liability at end of each fiscal year	\$ 6,903	\$ 6,501	\$ 1,878	\$ 1,942	\$17,100	\$13,771

* The previously recorded projections of unpaid losses for 1998 were understated because the paid losses for fiscal year 1998 were incorrectly applied to the actuarial projection at June 30, 1998. This adjustment is reflected as a prior period adjustment on the financial statements.

10. COMMITMENTS

A. **Highway Construction** - At June 30, 1999, the Department of Transportation had contractual commitments of approximately \$188.3 million for construction of various highway projects. Funding for these highway projects is to be provided from federal grants and matching state special revenue funds.

B. **Capital Construction** - At June 30, 1999, the Department of Administration, Architecture & Engineering Division, had commitments of approximately \$32.1 million for capital projects construction. The Primary Government will fund \$28.8 million of these projects with the remaining \$3.3 million coming from higher education funds.

C. **Proprietary Fund Commitments** - Budgets are administratively established in the Enterprise and Internal Service Funds, excluding depreciation, compensated absences and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unreserved retained earnings in the accompanying financial statements as follows (in thousands):

PRIMARY GOVERNMENT

<u>Enterprise Funds</u>	<u>AMOUNT</u>
Liquor Warehouse	\$ 11
Surplus Property	60
Historical Society Publications	1
Hail Insurance	1
Subtotal-Enterprise Funds	<u>\$ 73</u>

<u>Internal Service Funds</u>	
Highway Equipment	\$ 1,314
FWP Equipment	643
ISD	372
Motor Pool	151
Administration Insurance	14
Administration Supply	130
Publications & Graphics	45
Buildings & Grounds	226
Labor Central Services	80
Commerce Central Services	16
DEQ Indirect Cost Pool	74
FWP Warehouse Inventory	13
Investment Division	5
Mail & Messenger	4
Subtotal-Internal Service Funds	<u>\$ 3,087</u>

Total-Primary Government	<u>\$ 3,160</u>
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COMPONENT UNITS

State Compensation Ins. - New Fund	<u>1,182</u>
Total-Proprietary Fund Types-Reporting Entity	<u>\$ 4,342</u>

11. LEASES/INSTALLMENT PURCHASES PAYABLE

The State has entered into various capital and operating leases for land, buildings, equipment and computer software. Lease contracts are required by law to contain a clause indicating continuation of the lease is subject to funding by the Legislature. It is expected that in the normal course of operations most of these leases will be replaced by similar leases.

A. **Capital Leases/Installment Purchases** - Changes in capitalized leases/installment purchases are as follows (in thousands):

	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 1999</u>
Primary Government			
General Long-Term Obligations	<u>\$ 2,178</u>	<u>\$ (798)*</u>	<u>\$ 1,380</u>
Proprietary Fund Types			
Enterprise Fund	<u>\$ 1</u>	<u>\$ 5,024</u>	<u>\$ 5,025</u>
Internal Service Fund	<u>2,903</u>	<u>1,825</u>	<u>4,728</u>
Total Proprietary	<u>2,904</u>	<u>6,849</u>	<u>9,753</u>
Total-Primary Government	<u>\$ 5,082</u>	<u>\$ 6,051</u>	<u>\$ 11,133</u>

Component Units

Pension Trust Fund	\$ -	\$ 227	\$ 227
Higher Education Funds	975	182	1,157
Total-Component Units	<u>\$ 975</u>	<u>\$ 409</u>	<u>\$ 1,384</u>

Total Capitalized Leases/ Installment Purchases	<u>\$ 6,057</u>	<u>\$ 6,460</u>	<u>\$ 12,517</u>
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*This amount consists of \$195,000 of additions as inceptions; \$401,000 of additions as adjustments; and \$1,394,000 as deductions.

Future minimum lease payments under capital leases/installment purchases are as follows (in thousands):

Fiscal Year Ending June 30	Primary Government			Component Units		Totals
	General Long-Term Obligations	Proprietary Fund Types Enterprise	Internal Service	Pension	Higher Education Funds	
2000	\$ 887	\$ 1,099	\$ 2,234	\$ 349	\$ 583	\$ 5,152
2001	364	1,146	1,566	-	304	3,380
2002	241	1,145	572	-	203	2,161
2003	6	1,146	136	-	161	1,449
2004	6	1,145	74	-	28	1,253
2005+	-	-	401	-	-	401
Total minimum pmts	<u>\$ 1,504</u>	<u>\$ 5,681</u>	<u>\$ 4,983</u>	<u>\$ 349</u>	<u>\$ 1,279</u>	<u>\$ 13,796</u>
Less: Interest	<u>124</u>	<u>656</u>	<u>255</u>	<u>122</u>	<u>122</u>	<u>1,279</u>
Present value of minimum payments	<u>\$ 1,380</u>	<u>\$ 5,025</u>	<u>\$ 4,728</u>	<u>\$ 227</u>	<u>\$ 1,157</u>	<u>\$ 12,517</u>

B. **Operating Leases** - Total rental payments of primary government and component units for operating leases in fiscal year 1999 were \$6,370,000 and \$464,000, respectively. Future rental payments under operating leases are as follows (in thousands):

Fiscal Year Ending June 30	Primary Government	Component Units	Totals
2000	\$ 5,485	\$ 401	\$ 5,886
2001	4,286	268	4,554
2002	3,229	151	3,380
2003	2,372	22	2,394
2004	1,988	13	2,001
2005+	<u>9,231</u>	<u>2</u>	<u>9,233</u>
Total future rental payments	<u>\$ 26,591</u>	<u>\$ 857</u>	<u>\$ 27,448</u>

12. STATE DEBT

A. **General Information** - The State has no constitutional limit on its power to issue obligations or incur debt other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. The Board of Examiners (consisting of the Governor, Secretary of State and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

B. **Short-Term Debt** - The Board of Examiners, upon recommendation of the Department of Administration, may issue notes in anticipation of the receipt of taxes and revenues. No notes may be issued to refund outstanding notes. The notes must be redeemed by the end of the fiscal year in which issued.

The Board of Investments (BOI) of the State of Montana is authorized to issue Municipal Finance Consolidation Act Bonds which may not aggregate more than \$75 million. The purpose of the bonds is to provide funds for the BOI to make loans to eligible local government units. The bonds are not in any way a debt or liability of the State of Montana. The bonds are limited obligations of the BOI payable solely from repayments of principal and interest on loans made by the BOI to participating local government units, investment income under the indenture and an irrevocable pledge by the BOI. The BOI has no taxing power. Bondholders may elect to have their bonds purchased by the Trustee on March 1 of each year until maturity. These issues are considered to be demand bonds and have been classified as short-term debt. The amounts issued and outstanding at June 30, 1999, are as follows (in thousands):

<u>Series</u>	<u>Amount Issued</u>	<u>Balance June 30, 1999</u>
1991	\$ 5,000	\$ 4,750
1992	6,500	6,235
1994	7,500	7,200
1995	7,500	7,385
1997	10,000	9,930
1998	12,500	<u>12,430</u>
TOTAL		<u>\$ 47,930</u>

C. Long-Term Debt - The full faith, credit and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue bonds and mortgage bonds are secured by a pledge from the facilities to which they relate and by certain other revenues, fees and assets of the State and the various colleges and universities. Long-term debt (excluding bonds/notes of Enterprise Funds and Internal Service Funds discussed elsewhere in this footnote; Leases - Note 11 and Compensated Absences - Note 1) of the State at June 30, 1999, is as follows (in thousands):

<u>General Obligation Debt</u>	<u>Series</u>	<u>Amount Issued</u>	<u>Interest Range (%)</u>	<u>Principal Payments</u>		<u>Balance June 30, 1999</u>
				<u>FY 2000</u>	<u>In Year of Maturity (13)</u>	
Long-Range Bldg Program	1985A	\$ 8,550	8.0	\$ 150	\$150 (2001)	\$ 300
Water Development Program (1)	1988	500	9.4	25	50 (2009)	345
Water Development Program (1)	1989B	500	8.55	20	50 (2010)	370
Water Development Program (1)	1991A	750	8.0	45	90 (2007)	525
Wastewater Treatment Works	1991B	2,595	5.9-6.8	90	215 (2014)	2,150
GO Refunding	1992	31,330	5.0-6.2	365	390 (2010)	4,615
Energy Conservation Program (2)	1993A	1,500	4.2-4.75	150	180 (2004)	825
Long-Range Bldg Program	1993B	3,185	3.8-4.25	250	310 (2004)	1,390
Renewable Resource Development(1)	1993C	750	5.05-5.65	75	95 (2004)	425
Long-Range Bldg Program	1994A	22,540	4.2-6.0	880	1,725 (2014)	18,700
Wastewater Treatment Works	1994B	2,200	4.75-6.1	75	180 (2016)	2,000
Long-Range Bldg Program	1994C	21,955	5.125-7.0	775	1,000 (2005)	5,295
Energy Conservation Program (2)	1994D	1,600	5.0-5.5	155	200 (2005)	1,055
Renewable Resource Development (1)	1994E	750	7.7-8.5	70	105 (2005)	515
Energy Conservation Program (2)	1996A	1,650	3.9-4.4	150	195 (2006)	1,200
Renewable Resource Development (1)	1996B	1,250	5.6-6.1	110	155 (2006)	920
Wastewater Treatment Works	1996C	2,765	4.4-5.75	105	120 (2017)	2,610
Long-Range Bldg Program	1996D	30,075	5.25-6.0	1,010	2,370 (2017)	28,240
Renewable Resource Development (1)	1996E	1,000	6.95-7.75	85	130 (2007)	850
Renewable Resource Development (1)	1997A	2,000	6.8-8.0	85	210 (2013)	1,920
Long-Range Bldg Program	1997B	12,640	4.6-5.0	675	595 (2018)	11,990
Wastewater Treatment Works	1998A	3,510	3.75-5.15	115	260 (2019)	3,510
Long-Range Bldg Program	1998B	34,545	3.5-4.85	1,180	2,555 (2018)	33,350
Information Technology	1998C	41,390	4.5-5.0	4,430	4,075 (2008)	37,060
Long-Range Bldg Program	1998D	14,855	4.4-5.0	85	1,720 (2015)	14,635
Energy Conservation Program (2)	1998E	1,250	3.9-4.6	110	150 (2008)	1,135
Drinking Water Revolving Fund (10)	1998F	3,065	3.6-4.85	-	230 (2019)	3,065
Resource Prgm Loans-Taxable (1)	1999	1,035	6.0-6.5	-	105(2015)	1,035
Long-Range Bldg Program	1999C	<u>16,990</u>	<u>4.0-5.0</u>	<u>770</u>	<u>1,250(2019)</u>	<u>16,990</u>
Total General Obligation Debt		<u>\$ 266,725</u>		<u>\$ 12,035</u>		<u>\$ 197,020</u>

Special Revenue Bonds

Water Conservation (3)	-	50	5.0	2	1 (2012)	26
Water Development Program (4)	1987C	1,215	7.0-7.6	60	120 (2008)	790
Broadwater Power Project (4)(6)	1990A	3,800	9.5	430	505 (2002)	1,400
Broadwater Power Project (4)(5)	1991A	21,735	6.4-6.875	-	2,135 (2018)	21,735
Water Development Program (4)	1992A	11,955	5.2-6.1	890	1,250 (2006)	7,405
Water Development Program (4)	1992B	9,375	5.0-6.0	355	795 (2013)	7,570

Special Revenue Bonds	Series	Amount Issued	Interest Range (%)	Principal Payments		Balance June 30, 1999
				FY 2000	In Year of Maturity (13)	
Department of Transportation	1993	72,375	4.7-5.05	11,355	3,705 (2004)	52,510
Renewable Resource Program (4)	1996A	14,985	4.15-5.2	975	110 (2017)	12,275
Renewable Resource Program (4)	1997A	1,205	6.3-7.3	30	110 (2017)	1,175
Renewable Resource Program (4)	1997B	2,660	4.1-5.375	85	210 (2017)	2,580
Developmental Center Project (9)	1994	13,100	5.2-6.4	335	1,015 (2019)	12,115
State Hospital Project (9)	1997	<u>25,915</u>	4.0-5.0	<u>655</u>	1,820 (2022)	<u>25,915</u>
Total Special Revenue Bonds		<u>\$178,370</u>		<u>\$15,172</u>		<u>\$145,496</u>
Middle Creek Dam Project (7)		\$ 2,990	8.125	\$ 34	124 (2034)	\$ 3,099
Treasure State Endowment (8)		4,134	5.85	1,490	778 (2001)	2,268
Tongue River Dam Project (12)		11,020	-	-	-	11,020
Dept. of Justice INTERCAP Loan (11)		500	4.75	50	50 (2007)	400
Dept. Of Environmental Quality INTERCAP Loan (11)		<u>1,212</u>	4.85	<u>104</u>	75 (2008)	<u>1,065</u>
Total Notes Payable		<u>\$ 19,856</u>		<u>\$ 1,678</u>		<u>\$ 17,852</u>
Total Special Revenue Debt						<u>\$163,348</u>

- (1) All Water Development Program Bonds and the Renewable Resource Development Bonds are secured additionally by a pledge of, and payable from, certain coal severance taxes. Series 1988, 1989B, 1991A and 1993C bonds are also secured by a pledge of loan repayments from loans made from the bond proceeds.
- (2) Bonds issued for financing the design, construction and installation of energy conservation projects at various State buildings.
- (3) Bonds sold to Farmers Home Administration.
- (4) Issued by the Department of Natural Resources and Conservation (DNRC) and backed by a pledge of coal severance taxes and project revenues.
- (5) First payment of \$795,000 is due in 2003.
- (6) Bonds were sold to the Montana Board of Investments.
- (7) U.S. Bureau of Reclamation loan to Montana Department of Natural Resources & Conservation. The outstanding balance includes \$262,696 of interest owed.
- (8) Board of Investments Treasure State Endowment loan from the Coal Tax Trust Fund to the State of Montana Department of Commerce.
- (9) Montana Health Facility Authority Loan to the Department of Public Health and Human Services for the Montana Developmental Center Project and the Montana State Hospital Project.
- (10) Provide matching funds to enable the State to obtain capitalization grants from the U.S. Environmental Protection Agency for water system development loans to state political subdivisions.
- (11) Montana Board of Investments loans to Departments from the INTERCAP loan program.
- (12) Northern Cheyenne Tribe loan to the Montana Dept. of Natural Resources & Conservation (DNRC). The loan will not accrue interest and will be repaid over 39 years. Loan repayment is secured by the issuance of a coal severance tax bond to the tribe.
- (13) Year of Maturity refers to fiscal year.

Board of Regents Issues Higher Education Units - Component Unit		Series	Amount Issued	Interest Range (%)	Principal Payments		Balance June 30, 1999
					FY 2000	In Year of Maturity	
University of Montana-Missoula (U of M)	1993A/1995B 1995C/1996D 1998E	\$103,253	3.8-6.9	\$3,018	\$	540 (2021)	\$ 93,089
Montana State University-Bozeman (MSU)	1987A/1993A 1996D/1996B 1998E/1998F						
Montana Tech of The U of M	1995C/1996D 1998E						
		14,717	3.9-5.75	570		120 (2020)	13,557
MSU - Billings	1996D/1998F	18,955	3.85-5.625	540		1,070 (2026)	17,710
MSU - Northern	1994C/1998F	3,450	3.85-6.0	170		100 (2015)	2,945
Western Montana College of The U of M (WMC)	1993A/1995B/ 1995C/1996D/ 1998E	7,762	3.8-6.9	260		15 (2020)	7,370
Helena College of Technology of The University of Montana (HCT)	1995B/1995C	<u>767</u>	4.2-6.4	<u>43</u>		16 (2018)	<u>623</u>
		<u>\$236,581</u>		<u>\$7,301</u>			\$215,406
Add: Unamortized Premium							20

**Board of Regents Issues
Higher Education Units -
Component Unit**

Series	Amount Issued	Interest Range (%)	Principal Payments		Balance June 30, 1999
			FY 2000	In Year of Maturity	

Less: Unamortized Discount (2,181)

Total Higher Education Bonded Debt \$213,245

Higher Ed Nonbonded Debt

U of M - Missoula, Bookstore Note	\$ 500	Variable	\$ -	\$ 500 (2005)	\$ 500
U of M - Missoula, INTERCAP Program Note	983	Variable	157	11 (2010)	810
U of M - First Interstate Mortgage	281	8.5	7	28 (2017)	269
MSU - Bozeman, Fiber Note	746	5.9	159	98 (2001)	256
MSU - Bozeman, INTERCAP Program Note	650	Variable	44	9 (2010)	650
MSU - Bozeman, Athletics Dept	78	5.48	16	17(2001)	33
MSU - Bozeman, Information Tech Center	54	5.31-5.63	19	5(2002)	28
MSU - Bozeman, Media & Theater Arts	44	5.63	9	10(2002)	28
MSU - Bozeman, Renne Library	245	4.95-5.28	58	33(2003)	185
MSU - Bozeman, Printing	63	6.18	22	22(2000)	22
MSU - Bozeman, Physics Dept	22	4.95	7	8(2001)	15
MSU - Bozeman, University Relations	4	4.95	1	1(2001)	2
MSU - Billings, INTERCAP Program Note	251	Variable	21	16 (2009)	247
MSU - Billings, Athletic Note	20	8.7	4	6 (2003)	20
MSU - Northern, INTERCAP Program Note	1,578	Variable	216	28 (2006)	1,166
MSU - Northern, Athletic Van Note	13	6.5	2	2 (2005)	13
MSU - Northern, Voice Mail Note	49	6.5	-	18 (2003)	49
MSU - Northern, Motorcycle Program*	44	6.5	44	44 (2000)	44
WMC - UM, INTERCAP Program Note	59	Variable	8	8 (2000)	8
WMC - UM, Mortgages Payable	70	6.5	4	6 (2009)	53
WMC - UM, Kurtz Property Payable	105	6.45	3	61 (2009)	98
MSU - College of Technology, Great Falls, Note	100	5.38	21	22 (2001)	43

Total Higher Education Nonbonded Debt \$ 5,959 \$ 822 \$ 4,539

TOTAL HIGHER EDUCATION FUNDS \$217,784

* Transferred from Commissioner of Higher Education

Debt service requirements (principal and interest) for long-term notes/bonds payable reported in the General Long-Term Obligations Account Group and Higher Education Funds are as follows (in thousands):

Fiscal Year Ending June 30	General Obligation Debt	Special Revenue Bonds	Higher Ed Bonded Debt	Non- Bonded Debt	Total Requirements
2000	\$ 22,119	\$ 22,722	\$ 17,514	\$ 3,048	\$ 65,403
2001	22,166	22,685	17,997	2,016	64,864
2002	21,908	22,661	17,997	984	63,550
2003	21,381	22,856	18,013	957	63,207
2004	20,153	13,043	18,107	1,097	52,400
2005+	177,342	105,104	264,986	14,775	562,207
Totals	<u>\$ 285,069</u>	<u>\$209,071</u>	<u>\$354,614</u>	<u>\$22,877</u>	<u>\$ 871,631</u>

A summary of changes in long-term liabilities payable reported in the General Long-Term Obligations Account Group for the fiscal year ending June 30, 1999, is as follows (in thousands):

	Balance July 1, 1998	Additions(1)	Reductions	Balance June 30, 1999
Early Retirement Benefits	\$ 388	\$ -	\$ 157	\$ 231
Arbitrage Rebate Tax	155	800	148	807
General Obligation Debt	\$ 187,005	\$ 21,090	\$ 11,075	\$ 197,020
Special Revenue Debt	185,045	2,629	24,326	163,348
Totals	<u>\$ 372,593</u>	<u>\$ 24,519</u>	<u>\$ 35,706</u>	<u>\$ 361,406</u>

(1) Loan and Bond Proceed amounts recorded in the financial statements for General Obligation and Special Revenue Debt include the effects of bond discounts and premiums. The additions in long-term debt include new issues of bonds and loans with a face value of \$23,719,446 which were issued at par.

D. Early Retirement Benefits Note - The 1993 Montana State Legislature granted an early retirement incentive. The incentive consisted of an additional three years of employer and employee contributions paid by the employer agency

to the State of Montana Public Employees' Retirement System. The payments may be made over a period of time not to exceed ten years at an interest rate of 8%. Debt Service requirements are as follows (in thousands):

	<u>Principal Payments</u>		<u>Balance June 30, 1999</u>
	<u>FY 2000</u>	<u>In Year of Maturity</u>	
Primary Government:			
General Obligation Debt	\$ 41	\$ 55	\$ 231
Component Unit:			
Higher Education Units	<u>12</u>	<u>15</u>	<u>58</u>
TOTAL	<u>\$ 53</u>	<u>\$ 70</u>	<u>\$ 289</u>

E. Refunded Bonds

In prior years, the State of Montana and the Board of Regents of Higher Education have issued general obligation and revenue refunding bonds, the proceeds of which were used to defease certain bond issues already outstanding. The proceeds of the refunding issues were placed in escrow accounts and invested in U.S. Treasury Obligations that, together with interest earned thereon, will be sufficient for future payment of principal and interest on the refunded issues. Accordingly, the debt is considered defeased for financial reporting purposes and the liability for the defeased bonds is not included in the financial statements. At June 30, 1999, the in-substance defeased bonds outstanding are as follows (in thousands):

General Obligation	\$ 11,560
Higher Education Revenue	<u>37,014</u>
Total	<u>\$ 48,574</u>

F. Enterprise Funds

(1) **Economic Development & Municipal Finance Consolidation Act Bonds (EDB)** - This program is directed by the nine-member Board of Investments which is attached to the Department of Commerce for administrative purposes. This program assists Montana's small businesses and local governments in obtaining long-term, fixed rate financing through private Montana lending institutions. Outstanding obligations are as follows (in thousands):

<u>Program</u>	<u>Series</u>	<u>Amount Issued</u>	<u>Interest Rate (%)</u>	<u>Principal Payments</u>		<u>Balance June 30, 1999</u>
				<u>FY 2000</u>	<u>In Year of Maturity</u>	
Municipal Finance Consolidation Act Bonds (Irrigation Program) (a)	1988	4,976	6.60-7.75	490	130 (2014)	3,405
Economic Development Bonds (Conservation Reserve Enhancement Program) (b)	1991A-B	7,380	10.0-11.2	285	285 (2000)	285
Municipal Finance Consolidation Act Bonds (School District Pooled Refunding Program) (c)	1991	<u>6,234</u>	4.75-6.5	<u>437</u>	294 (2005)	<u>1,984</u>
TOTAL BONDS PAYABLE		\$18,590		\$ 1,212		\$ 5,674
Conservation Reserve Enhancement Program (CRP Notes) (b)		<u>11,430</u>	6.90-9.92	<u>1,391</u>	250 (2009)	<u>11,430</u>
TOTAL BONDS/NOTES PAYABLE		<u>\$30,020</u>		<u>\$ 2,603</u>		<u>\$17,104</u>

(a) These bonds were issued to obtain funds for the Board of Investments, State of Montana, to purchase the refunding bonds of participating Irrigation Districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans. The Irrigation Bonds and the interest thereon are payable solely from the collection of a special tax or assessment which is a lien against real property in the Irrigation District. The Irrigation Bonds are not obligations of the State of Montana. However, the Irrigation Bonds are limited obligations of the Board of Investments due to an irrevocable pledge to lend money for deposit by the Trustee of the Irrigation District Pooled Loan Program Reserve Account E in an amount equal to any deficiencies therein on any payment date. The indenture does not permit the issuance of additional bonds.

(b) These bonds and notes were issued for the purpose of providing funds for the Board of Investments, State of Montana, to make loans to participating farmers and ranchers under its Conservation Reserve Enhancement Program. The Series 1991 Bonds are not in any way a debt or liability of the State of Montana, and neither the full faith and credit, nor the taxing power of the State of Montana is pledged to the payment of the principal of or interest on the Series 1991 Bonds. However, the 1991 Bonds are limited obligations of the Board of Investments. The Bond Anticipation Notes which matured on November 15, 1992, were reissued to correspond with maturities per the underlying loans. On November 15, 1994, eleven BAN's were reissued to comply with statutory requirements limiting the maturity of notes to five years from issuance date. The outstanding BANS as of November 15, 1996

were reissued as loans to comply with statutory requirements. The board now issues CRP bonds for the duration of the CRP contract purchased.

- (c) These bonds were issued for the purpose of providing funds for the Board of Investments, State of Montana, to purchase the general obligation refunding bonds of participating Montana School Districts. The School District Refunding Bonds and the interest thereon are payable from real property taxes levied within the school district. These bonds are limited obligations of the Board of Investments, and are not a debt or liability of the State of Montana, and neither the faith and credit nor the taxing power of the State is pledged to the payment of principal or of interest on the bonds.

Debt service requirements (principal & interest) for EDB are as follows (in thousands):

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005+</u>	<u>Totals</u>
\$ 3,809	\$3,283	\$2,995	\$2,826	\$2,591	\$7,739	<u>\$23,243</u>

(2) Internal Service Bonds/Notes Payable - State agencies may obtain long-term financing for Internal Service Funds through the Board of Investments INTERCAP loan program. Outstanding obligations at June 30, 1999 are as follows (in thousands):

<u>Department</u>	<u>Amount Issued</u>	<u>Interest Rate (%)</u>	<u>Principal Payments</u>		<u>Balance June 30, 1999</u>
			<u>FY 2000</u>	<u>In Year of Maturity</u>	
Department of Transportation - Motor Pool	\$ 6,663	4.75-5.15	\$ 1,334	100(2004)	\$ 4,709
TOTAL BONDS/NOTES PAYABLE	<u>\$ 6,663</u>		<u>\$ 1,334</u>		<u>\$ 4,709</u>

Debt service requirements (principal & interest) for Internal Service Funds are as follows (in thousands):

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005+</u>	<u>Total</u>
\$1,352	\$1,343	\$1,352	\$ 581	\$ 100	\$ -	<u>\$4,728</u>

(3) Board of Housing (BOH) (Housing Authority) - Component Unit - Revenue Bonds - The Montana Board of Housing is authorized to have an aggregate of \$975 million of housing mortgage bonds outstanding. The bonds are payable from mortgage loan repayments and investment earnings. All bonds issued to date are secured by federally insured or guaranteed mortgages. Statutory provisions exist wherein the Governor shall include in the executive budget submitted to the legislature the sum required to fund possible future deficiencies in required reserves; however, the legislature is not legally required to appropriate funding for such deficiencies. None of the outstanding bonds were issued under these provisions. BOH Revenue Bonds (net) outstanding at June 30, 1999, are as follows (in thousands):

<u>Program</u>	<u>Series</u>	<u>Amount Issued</u>	<u>Interest Rate (%)</u>	<u>Principal Payments</u>		<u>Balance June 30, 1999</u>
				<u>FY 2000</u>	<u>In Year of Maturity</u>	
Single Family I	1997A	\$ 91,360	4.0-6.15	\$ 150	\$ 955 (2038)	\$ 87,940
Subtotal		<u>\$ 91,360</u>		<u>\$ 150</u>		<u>\$ 87,940</u>
Single Family II	1983C	\$114,998	5.75-10.7	\$ -	\$1,520 (2010)	\$ 13,391
	1984A	75,002	7.0-10.375	-	425 (2010)	621
	1985A	40,000	5.5-9.75	1,292	4,525 (2016)	7,205
	1985B	74,997	5.7-9.75	-	295 (2011)	2,670
	1992RA	22,520	5.65-6.5	-	10 (2033)	22,520
	1994A	25,725	3.1-6.1	1,550	500 (2025)	15,735
	1994B	40,815	3.8-6.9	1,380	315 (2025)	15,340
	1994C	20,000	4.5-6.8	180	195 (2027)	6,295
	1995A	33,580	4.75-6.55	390	760 (2027)	22,560
	1995B	88,000	4.2-6.4	665	1,460 (2036)	85,885
	1996A	65,000	4.7-6.375	825	2,135 (2029)	59,465
	1998A	51,780	4.0-5.45	-	290(2031)	51,175
	1998B	65,000	4.35-5.35	-	360(2031)	64,915
Subtotal		<u>\$717,417</u>		<u>\$ 6,282</u>		<u>\$367,777</u>

Program	Series	Amount Issued	Interest Rate (%)	Principal Payments		Balance June 30, 1999
				FY 2000	In Year of Maturity	
Single Family III	1988B1-B2	\$ 25,000	6.0-8.9	\$ 115	\$ 125 (2020)	\$ 3,545
Single Family IV	1989A1-A2	25,000	7.0-9.2	135	210 (2020)	4,750
Single Family V	1990A1-A2	25,000	6.2-8.525	165	370 (2021)	6,035
Single Family VI	1990B1-B2	25,000	6.3-8.5	185	400 (2022)	6,680
Single Family VII	1990C1-C2	25,000	6.55-8.95	165	365 (2022)	5,785
Single Family VIII	1991A1-A2	25,000	5.2-8.275	265	630 (2022)	8,835
Single Family IX	1991B1-B2	25,000	5.5-8.4	275	655 (2023)	9,785
Single Family X	1992A1-A2	25,000	4.45-7.85	320	745 (2023)	12,410
Multifamily	1978A	4,865	6.125	80	645 (2020)	4,030
	1992A	9,725	2.95-6.55	190	50 (2024)	8,790
	1996A	890	4.10-6.15	15	60 (2027)	860
	1998A	1,625	3.5-4.7	60	40(2030)	1,625
Subtotal		<u>\$ 17,105</u>		<u>\$ 345</u>		<u>\$ 15,305</u>
TOTAL		<u>\$1,025,882</u>		<u>\$ 8,402</u>		\$528,847
Add: Deferred amount on refunding						608
Add: Unamortized bond premiums						<u>45</u>
TOTAL BOH BONDS PAYABLE (net)						<u>\$529,500</u>

Debt service requirements (principal & interest) for all BOH programs are as follows (in thousands):

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005+</u>	<u>Total</u>
\$38,902	\$40,175	\$40,818	\$42,468	\$43,915	\$928,992	<u>\$1,135,270</u>

G. No-Commitment Debt - Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

(1) Montana Board of Investments (BOI) - The BOI is authorized to issue industrial revenue bonds to finance projects for qualifying borrowers. Assets and revenues of the borrower are pledged to repay the bonds. The industrial revenue bonds issued by BOI do not constitute a debt, liability, obligation or pledge of faith and credit of the State of Montana. At June 30, 1999, outstanding industrial revenue bonds are as follows (in thousands):

<u>Project</u>	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Montana Cenex	August 1985	\$ 3,925	\$ 3,925
Colstrip	October 1989	60,800	60,800
Yellowstone Energy (BGI)	July 1993	118,345	118,245
Total		<u>\$183,070</u>	<u>\$182,970</u>

(2) Beginning Farm Loan Program - The Montana Department of Agriculture is authorized to request issuance of bonds by the Montana Board of Investments to finance projects for beginning farmers within the State, if it appears, after a properly noticed public hearing, that the project is in the public interest of the State. These non-recourse, industrial development revenue bonds do not constitute a debt, liability, or obligation of the State of Montana. The amount issued and outstanding at June 30, 1999, is as follows:

Jorgensen Project - issued \$81,600; outstanding \$17,519.

(3) Montana Health Facility Authority (MHFA) - Component Unit - The MHFA is authorized to issue bonds and notes to finance projects for qualifying health institutions. The following obligations issued by MHFA do not constitute a debt, liability, obligation or pledge of faith and credit of the State of Montana. At June 30, 1999, the MHFA had issued bonds and notes as follows (in thousands):

<u>Project</u>	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
West Mont Home Health Services	June 1985	\$ 440	\$ 90
MHFA 1985 Pooled Loan Projects	December 1985	66,900	35,900
Community Provider Pooled Loans	October 1988	1,461	460
Community Provider Pooled Loan	July 1990	5,858	4,190
Deaconess Medical Center (Series A)	February 1991	18,000	18,000
Deaconess Medical Center (Series B)	February 1991	18,000	18,000
Sisters of Providence	May 1991	51,535	40,580

<u>Project</u>	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Deaconess Medical Center	September 1991	32,650	27,050
Deaconess Medical Center	September 1991	7,000	1,340
Community Provider Pooled Loans	September 1991	3,944	3,017
Hospital Pooled Loans	August 1992	4,645	2,375
Richland Opportunities	January 1993	200	163
Bozeman Deaconess Foundation	June 1993	14,900	10,220
Sisters of Charity	January 1994	50,915	41,735
Deaconess-Billings Clinic	January 1994	58,870	58,870
Residential Support Services	March 1994	50	39
Community Memorial Hospital (1)	October 1994	570	125
St. John's Retirement Home	October 1994	2,000	1,985
North Valley Hospital (Series C) (1)	October 1994	695	150
North Valley Hospital (Series D) (1)	October 1994	1,310	900
Northern MT(1)	October 1995	5,645	4,885
Northern MT	November 1995	6,090	5,705
Livingston Hospital	May 1995	559	107
Toole County Hospital	August 1996	1,635	1,475
Marcus Daily Memorial Hospital	August 1996	1,860	1,680
Glendive Community Hospital	August 1996	1,590	1,435
Mission Ridge	August 1996	17,835	17,835
Community Medical Center-Missoula	August 1996	20,730	19,745
Benefis	September 1996	16,680	13,410
St. Peter's Hospital	January 1997	19,875	17,215
Regional services(Beartooth Industries)	September 1997	260	251
Alternatives, Inc.	November 1997	2,925	2,840
Big Horn	February 1998	1,425	1,380
Lewis & Clark County(Cooney)	February 1998	1,730	1,675
North Valley	February 1998	1,890	1,745
Lewis & Clark County (Clinic)	February 1998	860	830
Sisters of Charity	March 1998	137,800	137,800
EMC MHC	May 1998	44	22
BSW, Inc.	May 1998	36	29
Opportunity Resources, Inc.	June 1998	400	388
Kalispell Regional Hospital	August 1998	19,630	19,630
Bozeman Deaconess	August 1998	13,500	13,075
Missoula Correctional (Prerelease)	October 1998	5,580	5,580
Great Falls Prerelease	October 1998	1,300	1,300
Community Medical 99 (Missoula)	January 1999	2,300	2,203
Total		<u>\$622,122</u>	<u>\$537,429</u>

(1) The Board of Investments (BOI) and the MHFA have entered into a capital reserve account agreement for certain bond issues. In accordance with the agreement, the BOI irrevocably committed to lend the MHFA funds sufficient to ensure timely payments of principal and interest on the bonds. If necessary, the loans will be made by the BOI from the Coal Severance Tax Permanent Trust Fund, a Trust Fund Bond Pool participant, or any other legally available funds administered by the BOI.

13. INTERFUND TRANSACTIONS

During the course of normal operations, the State has numerous transactions between funds to finance operations, provide services, construct assets, service debt, etc. Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary and the cash balance in the account from which the appropriation was made is insufficient to pay the expenditure. To the extent that certain transactions between funds are not paid or received as of June 30, 1999, interfund receivables/payables (Due From/To Other Funds) are recorded. The schedule below presents all interfund balances outstanding at June 30, 1999, (in thousands) and interfund activity for the fiscal year then ended:

<u>Within Primary Government and Component Units</u>	<u>Interfund Loans/Advances</u>		<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Operating Transfers</u>		<u>Residual Equity Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>			<u>In</u>	<u>Out</u>	<u>In</u>	<u>Out</u>
General	\$ 33,285	\$ -	\$ 37,937	\$ 19,599	\$ 87,600	\$ 10,022	\$ -	\$ -
Special Revenue								
State	61,902	8,619	18,466	14,788	34,330	30,456	70	-
Federal	20	85,847	2,809	12,200	1,800	21,142	-	2
Debt Service								
Coal Tax Bonds	-	-	-	6	662	623	-	-
Long-Range Building Program	-	-	171	525	8,533	583	102	-
Water Development	-	-	-	756	826	942	-	-
Highway Revenue Bonds	-	-	-	-	13,592	-	-	-
Health Care Debt Service	-	-	59	-	991	-	-	-

Within Primary Government and Component Units	Interfund Loans/Advances		Due From Other Funds	Due To Other Funds	Operating Transfers		Residual Equity Transfers	
	Receivable	Payable			In	Out	In	Out
Information Technology Bonds	-	-	-	-	4,694	-	-	-
Energy Bonds	-	-	-	99	-	99	-	-
Capital Projects								
Long-Range Building Program	-	135	343	724	9,194	3,374	-	172
Fed/Priv Construction Grants	-	-	22	-	-	-	-	-
Capital Land Grant	-	-	13	110	493	451	-	-
Information Technology Project	-	83	303	403	-	-	-	-
Enterprise								
Economic Development Bonds	-	4	-	11	-	-	-	-
Liquor Warehouse	-	-	22	7,107	-	18,872	-	-
Hail Insurance	-	-	2	14	-	38	-	-
State Lottery	-	-	4	2,923	-	6,780	-	-
Prison Ranch	165	-	83	117	-	43	-	-
Prison Industries	-	165	230	78	-	10	-	-
Uninsured Employers	-	-	14	43	-	-	-	-
Subsequent Injury	-	-	-	5	-	-	-	-
Montana Career Info. Systems	-	-	2	8	-	4	-	-
Sec. of State Business Services	-	-	123	98	-	-	-	-
Historical Soc. Publications	-	-	14	54	55	-	-	-
Surplus Property	-	-	20	198	-	-	-	-
West Yellowstone Airport	-	-	-	2	18	-	-	-
Local Govt. Audits	-	-	-	13	-	-	-	-
Def. Comp. Administration	-	-	-	1	-	-	-	-
Flexible Spending Administration	-	75	3	-	-	-	-	-
Internal Service								
Highway Equipment	-	-	729	181	-	-	-	-
Employees' Group Benefits	-	-	3	26	-	-	-	-
ISD	-	-	1,921	304	-	-	-	-
MUS Group Insurance	-	-	5	8	-	-	-	-
Administration Insurance	-	-	164	268	126	239	-	-
FWP Equipment	-	-	311	2	189	-	-	-
Motor Pool	-	-	378	8	-	-	-	-
Administration Supply	-	-	160	15	-	-	-	-
Publications & Graphics	-	-	250	46	-	-	-	-
Buildings & Grounds	-	-	372	134	59	91	-	-
Labor Central Services	-	-	523	194	-	-	-	-
Commerce Central Services	-	-	171	104	-	-	-	-
DEQ Indirect Cost Pool	-	-	371	57	-	-	-	-
FWP Warehouse Inventory	-	-	9	-	-	-	-	-
Mail & Messenger	-	77	151	14	-	-	-	-
Payroll Processing	-	-	2	385	-	376	-	-
Warrant Processing	-	-	67	195	-	125	-	-
Investment Division	-	-	37	78	-	-	-	-
Aircraft Operation	-	-	47	12	343	-	-	-
Justice Legal	-	101	140	169	-	-	-	-
OPI Central Services	-	-	76	112	-	-	-	-
Personnel Training	-	10	14	8	-	-	-	-
Records Management	-	-	70	129	-	-	-	-
FWP Office Supply	-	-	-	2	-	-	-	-
Debt Collections	-	-	14	5	-	-	-	-
Administration Legal	-	2	2	1	-	-	-	-
Local Govt. Administration	-	-	6	6	-	-	-	-
Natural Gas Procurement	-	-	-	1	-	-	-	-
Administration DP Unit	-	-	6	5	-	-	-	-
Expendable Trusts								
Unemployment Insurance	-	20	204	1	-	-	-	-
Rural Development	-	-	-	3	-	-	-	-
Escheated Property	-	-	-	2	-	278	-	-
Historical Society General	-	-	-	2	-	-	-	-
Wildlife Mitigation	-	5	-	7	-	54	-	-
Employees Deferred Comp.	-	-	15	-	-	-	-	-
Nonexpendable Trusts								
Coal Tax Trust	-	34	23	11,791	-	24,323	-	-
Land Grants	-	-	808	7,297	26	43,103	-	-
Resource Indemnity	-	-	-	2,755	-	1,948	-	-
Parks Trust	-	-	-	185	-	1,171	-	-
Cultural Trust	-	-	21	101	-	295	-	-
Real Property	-	-	27	87	-	553	-	-
Noxious Weed Management	-	-	1	389	-	356	-	-

Within Primary Government and Component Units	Interfund Loans/Advances		Due From Other Funds	Due To Other Funds	Operating Transfers		Residual Equity Transfers	
	Receivable	Payable			In	Out	In	Out
Thomas Teakle Trust	-	-	-	-	-	2	-	-
Agency								
Investment Pool	-	-	-	28	-	-	-	-
Performance Deposits	30	-	-	951	-	-	-	-
Central Payroll	-	-	14,432	169	-	-	-	-
Custodial Accounts	-	-	5	167	-	-	-	-
Unissued Warrants	-	-	97	2,427	-	-	-	-
Child Support Collections	-	225	-	1	-	-	-	-
Intergovernmental	-	-	-	617	-	-	-	-
Uncleared Collections	-	-	14	379	-	-	-	-
Debt Collection	-	-	19	25	-	-	-	-

COMPONENT UNITS

Enterprise Funds

Housing Authority	-	-	-	2	-	-	-	-
Health Facilities Authority	-	-	-	1	-	-	-	-
State Comp. Insurance - New	-	-	293	1	-	-	-	-
State Comp. Insurance - Old	-	-	1	282	-	-	-	-

Pension Trusts

Teachers Retirement	-	-	1,164	1	-	-	-	-
PERS	70	-	586	205	-	-	-	-
Municipal Police	-	70	1	33	-	-	-	-
Firefighters Unified	-	-	5,076	26	-	-	-	-
Sheriffs	-	-	10	22	-	-	-	-
Highway Patrol	-	-	86	13	-	-	-	-
Judges	-	-	41	3	-	-	-	-
Game Wardens	-	-	67	14	-	-	-	-
Volunteer Firefighters	-	-	1	24	-	-	-	-

Higher Education

Current Funds

General Operating	480	5	5,293	7,878	956	1,744	55	-
Designated	3,109	4	9,425	2,611	1,199	2,411	23	-
Auxiliary	5	212	604	1,382	576	11,950	-	9
Restricted	-	3,485	439	7,103	2,101	196	-	9

Fiduciary

Student Loans	-	-	119	158	14	19	-	-
Endowments	-	-	2	86	498	551	-	-
Agency	-	-	5,211	2,285	-	-	-	-

Plant

Unexpended	36	-	5,596	5,101	3,546	10,537	6	-
Renewal & Replacement	52	105	1,220	1,063	11,231	1,811	-	63
Retirement of Indebtedness	217	-	2,778	2,289	15,537	3,617	-	1
Investment in Plant	-	88	-	-	-	-	-	-

Totals	\$ 99,371	\$ 99,371	\$120,318	\$120,318	\$199,189	\$199,189	\$ 256	\$ 256
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Between Primary Govt. and Component Units	Due From Comp. Units	Due To Primary Govt.	Due To Comp. Units	Due From Primary Govt.	Transfer From Comp. Units	Transfer To Primary Govt.	Transfer To Comp. Units	Transfer From Primary Govt.
General	\$10,394	\$ -	\$ 7,123	\$ -	\$10,000	\$ -	\$104,135	\$ -
Special Revenue								
State	297	-	1,495	-	-	-	14,728	-
Federal	20	-	737	-	-	-	-	-
Capital Projects								
Long Range Building	108	-	45	-	-	-	-	-
Enterprise								
State Lottery	-	-	1	-	-	-	45	-
Prison Industries	62	-	-	-	-	-	-	-
Secretary of State Bus. Srv.	1	-	-	-	-	-	-	-
Surplus Property	-	-	4	-	-	-	-	-
Flex Spending Admin.	65	-	-	-	-	-	-	-

<u>Between Primary Govt. and Component Units</u>	<u>Due From Comp. Units</u>	<u>Due To Primary Govt.</u>	<u>Due To Comp. Units</u>	<u>Due From Primary Govt.</u>	<u>Transfer From Comp. Units</u>	<u>Transfer To Primary Govt.</u>	<u>Transfer To Comp. Units</u>	<u>Transfer From Primary Govt.</u>
<u>Internal Service</u>								
Employees' Grp. Ben.	-	-	1	-	-	-	-	-
ISD	244	-	41	-	-	-	-	-
MUS Group Insurance	1,655	-	6	-	-	-	-	-
FWP Equipment	2	-	-	-	-	-	-	-
Administration Supply	33	-	1	-	-	-	-	-
Publications & Graphics	3	-	-	-	-	-	-	-
Labor Central Services	7	-	1	-	-	-	-	-
Commerce Central Services	10	-	1	-	-	-	-	-
DEQ Indirect Cost Pool	4	-	-	-	-	-	-	-
Mail & Messenger	1	-	-	-	-	-	-	-
Warrant Processing	21	-	-	-	-	-	-	-
Investment Division	86	-	-	-	-	-	-	-
Justice Legal	2	-	-	-	-	-	-	-
OPI Central Services	2	-	-	-	-	-	-	-
Records Management	2	-	-	-	-	-	-	-
<u>Expendable Trusts</u>								
Wildlife Mitigation	-	-	13	-	-	-	-	-
Employees Deferred Comp.	62	-	-	-	-	-	-	-
<u>Nonexpendable Trusts</u>								
Land Grants	-	-	369	-	-	-	2,093	-
<u>Agency</u>								
Central Payroll	364	-	3,326	-	-	-	-	-
Child Support Collections	9	-	-	-	-	-	-	-
Unclaimed Property	1	-	-	-	-	-	-	-
Intergovernmental	-	-	6	-	-	-	-	-
Uncleared Collections	6	-	9	-	-	-	-	-
Debt Collection	-	-	5	-	-	-	-	-
COMPONENT UNITS								
<u>Enterprise Funds</u>								
Housing Authority	-	35	-	1	-	-	-	-
Health Facilities Authority	-	4	-	-	-	-	-	-
State Compensation Ins. - New	-	10,791	-	1,504	-	10,000	-	-
State Compensation Ins. - Old	-	7	-	429	-	-	-	-
<u>Pension Trusts</u>								
Teachers Retirement	-	47	-	75	-	-	-	-
PERS	-	134	-	1,872	-	-	-	-
Municipal Police	-	-	-	5,576	-	-	-	-
Highway Patrol	-	-	-	167	-	-	-	-
Volunteer Firefighters	-	-	-	944	-	-	-	-
<u>Higher Education</u>								
<u>Current Funds</u>								
General Operating	-	357	-	198	-	-	-	118,829
Designated	-	154	-	150	-	-	-	-
Auxiliary	-	42	-	59	-	-	-	262
Restricted	-	27	-	1,867	-	-	-	45
<u>Fiduciary</u>								
Student Loans	-	-	-	2	-	-	-	-
Agency	-	1,628	-	23	-	-	-	-
<u>Plant</u>								
Unexpended	-	190	-	143	-	-	-	807
Renewal and Replacement	-	45	-	1	-	-	-	73
Retirement of Debt	-	-	-	173	-	-	-	985
Totals	<u>\$13,461</u>	<u>\$13,461</u>	<u>\$13,184</u>	<u>\$13,184</u>	<u>\$10,000</u>	<u>\$ 10,000</u>	<u>\$121,001</u>	<u>\$121,001</u>

14. FUND DEFICITS

The following funds have a deficit fund balance/retained earnings found on the operating statements for June 30, 1999, (in thousands):

Primary Government

Enterprise Fund

West Yellowstone Airport	\$ (641)
Department of Agriculture	(177)
Subsequent Injury	(129)

Internal Service Fund	
Administration Insurance	(10,579)
Justice Legal	(63)
Personnel Training	(11)
Administration - Legal	(16)
Local Government Admin	(36)
Total Fund Deficits - Primary Government	<u>\$ (11,652)</u>

Component Units

Proprietary Fund Type	
State Comp. Ins. (Old Fund)	\$ (140,091)
Higher Education Funds	
General Operating Subfund	(23,986)
Total Fund Deficits - Component Units	<u>\$ (164,077)</u>

The deficit retained earnings in the Administration Insurance Fund, Subsequent Injury and the State Compensation Insurance-Old Fund are due to recording the expense for estimated claims including claims incurred but not reported. Refer to Note 9 for further discussion of these funds. The deficit fund balance in the General Operating Subfund is due to the expense associated with the recording of compensated absences.

15. RESERVED FUND BALANCES FOR TRUSTS

The Special Revenue fund balance reserved for trusts is for the Department of Environmental Quality federal Office of Surface Mining Trust Fund of \$6,551,852.

The Nonexpendable Coal Tax Trust Fund reserved for trust principal is comprised of the following: Permanent Coal Tax Trust \$553,968,153, Treasure State Endowment Fund \$67,362,284, and the School Bond Contingency Loan Fund \$2,177,964. All other nonexpendable funds reserved for trust principal are \$516,977,010.

16. SEGMENT INFORMATION

Selected financial information concerning all enterprise operations for the fiscal year ended June 30, 1999, is as follows (in thousands):

	Economic Development Bonds	Liquor Warehouse	Hail Insurance	State Lottery	Other Enterprise*	Total Enterprise
Operating Revenues:						
Charges for Services	\$ 10	\$ 38,782	\$ -	\$ 30,073	\$ 8,712	\$ 77,577
Investment Earnings	597	-	305	300	185	1,387
Financing Income	3,320	-	-	-	-	3,320
Contributions/Premiums	-	-	2,359	-	5,051	7,410
Grants/Contracts/Donations	-	-	-	-	28	28
Taxes	-	11,029	-	-	-	11,029
Other Revenues	-	95	118	13	2,099	2,325
Operating Expenses:						
Depreciation	2	48	-	191	301	542
Amortization	-	-	-	41	9	50
Other	3,105	30,998	2,030	22,978	16,829	75,940
Operating Income (Loss)	<u>820</u>	<u>18,860</u>	<u>752</u>	<u>7,176</u>	<u>(1,064)</u>	<u>26,544</u>
Nonoperating Revenues						
(Expenses)	(1)	-	-	(350)	(38)	(389)
Oper. Trans. In (Out)	-	(18,872)	(38)	(6,825)	16	(25,719)
Net Income (Loss)	<u>\$ 819</u>	<u>\$ (12)</u>	<u>\$ 714</u>	<u>\$ 1</u>	<u>\$ (1,086)</u>	<u>\$ 436</u>
Current Assets	\$ 9,843	\$ 12,424	\$ 5,502	\$ 5,591	\$ 17,986	\$ 51,346
Current Liabilities	(1,400)	(11,169)	(1,788)	(7,134)	(1,353)	(22,844)
Net Working Capital	<u>\$ 8,443</u>	<u>\$ 1,255</u>	<u>\$ 3,714</u>	<u>\$ (1,543)</u>	<u>\$ 16,633</u>	<u>\$ 28,502</u>
Total Assets	\$ 70,499	\$ 13,387	\$ 10,071	\$ 12,736	\$ 23,926	\$130,619
Total Liabilities	66,620	11,242	3,621	12,498	4,564	98,545
Fund Equity	<u>\$ 3,879</u>	<u>\$ 2,145</u>	<u>\$ 6,450</u>	<u>\$ 238</u>	<u>\$ 19,362</u>	<u>\$ 32,074</u>
Long-Term Obligations	\$ 65,220	\$ 73	\$ 1,833	\$ 5,364	\$ 3,211	\$ 75,701
Acquisition of Fixed Assets						
Assets	\$ -	\$ 96	\$ -	\$ 3,875	\$ 115	\$ 4,086
Disposal of Fixed Assets	\$ 12	\$ 113	\$ -	\$ 10	\$ 17	\$ 152

1. The Economic Development Bond Program, administered by the Board of Investments, assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.
 2. The Liquor Division of the Department of Revenue administers the State liquor operations (Liquor Warehouse). This fund accounts for liquor licensing activities and the sale and distribution of alcoholic beverages.
 3. The Hail Insurance Fund provides benefit payments to producers for crop acreage insured and accounts for premium assessments paid (See Note 9).
 4. The State Lottery accounts for the operations of Montana's lottery which began in June 1987. Included in Other Assets, as presented on the Balance Sheet, is \$2,014,420 which is not a current asset.
- * Other Enterprise is composed of the following funds (listed by administering agency):

<u>Department of Agriculture</u> Department of Agriculture	<u>Secretary of State</u> Business Services	<u>Department of Corrections</u> Prison Ranch\ Industries Women's Prison Industries Swan River Vocational Training
<u>Department of Commerce</u> Local Government Audits	<u>Montana Historical Society</u> Historical Society Publications	<u>Department of Administration</u> Surplus Property Flexible Spending Deferred Compensation Admin.
<u>Department of Transportation</u> West Yellowstone Airport	<u>Department of Labor and Industry</u> Montana Career Info. System Subsequent Injury Uninsured Employers	<u>Judiciary</u> Judiciary Law Library
<u>Commissioner of Higher Education</u> Flexible Spending		

17. CONTRIBUTED CAPITAL

During fiscal year 1999, contributed capital changed by the following amounts (in thousands):

	<u>PRIMARY GOVERNMENT</u>		<u>COMPONENT UNITS</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Proprietary Fund Type</u>
Beginning Balance - July 1, 1998	\$ 4,420	\$ 7,218	\$ 154,468
Additions:			
Contributed Capital Transfers-in	838	127	-
Deletions:			
Contributed Capital Transfers-out	<u>(845)</u>	<u>(10)</u>	<u>-</u>
Ending Balance - June 30, 1999	<u>\$ 4,413</u>	<u>\$ 7,335</u>	<u>\$ 154,468</u>

18. RELATED PARTY TRANSACTIONS

The Montana Board of Regents, an agency within the State, is the guarantor of the loans owned by the Montana Higher Education Student Assistance Corporation (MHESAC), a private non-profit corporation. The Board of Regents and MHESAC have four common board members. Approximately 45.66% of the Regents' outstanding loan volume or \$285,276,129 is held by MHESAC. Lewis & Clark County owns the building which houses the staff of the Board of Regents and the Office of the Commissioner of Higher Education (OCHE). Upon satisfaction of the financing obligations, MHESAC has the option to purchase the building. OCHE pays MHESAC for its share of various costs such as personnel costs for employees of MHESAC who perform services that are of direct benefit to the State; equipment leases; computer maintenance costs; utilities and other shared operating expenses. The total amount of these expenses for fiscal year 1999 amounted to \$529,204. MHESAC employees are allowed to participate in the University System group insurance plan; MHESAC also reimburses OCHE for services such as telephones, postage and computer services. During fiscal year 1999 MHESAC paid OCHE a total of \$509,819.

There is a foundation affiliated with each university and college unit which solicits contributions and manages those funds for the benefit of that unit. Although each foundation is a separate legal entity, each unit exercises significant influence over its affiliated foundation. The units generally provide the foundations with office space, some staff and related office expenses and an annually contracted fee. The units paid their foundations approximately \$605,695 in fiscal year 1999. In return the universities received from their foundations approximately \$17,250,861 during fiscal year 1999 for scholarships and academic/institutional support. In addition to support from their affiliated foundations, the University of Montana-Missoula, Montana State University-Billings and Montana State University-Bozeman received a total of \$2,069,778 from their related athletic associations/booster organizations and affiliated museums and public broadcasting radio stations.

The Department of Administration, Personnel Division, has a staff member that serves as Director of the Montana Association of Health Care Purchasers for no remuneration. The Department pays this Association \$1,000 per year to maintain its membership. This staff member also serves as Director of Community Health Options which is a health purchasing cooperative whose purpose is to consolidate demand for health coverage to encourage more cost-effective health plans, negotiate more favorable rates and create economies of scale by combining administration of health care plans.

19. CONTINGENCIES

A. **Litigation** - The State is party to legal proceedings, which normally occur in government operations. The legal proceedings are not, in the opinion of the State's legal counsel and the Department of Administration, likely to have a material adverse impact on the State's financial position, except where listed below.

The State of Montana is involved in a lawsuit with the potential for substantial recovery of monetary relief against private parties. State of Montana v. Atlantic Richfield Co., No CV-83-317-H-PHG(D.Mont.), is a case where natural resource damage claims have been asserted under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 with respect to environmental injury to Clark Fork River Basin. The State and Atlantic Richfield recently settled a portion of the case for \$213 million, but unresolved is a claim by the State for \$180 million. Atlantic Richfield has filed a counterclaim against the State, the amount of which is unspecified and therefore could reduce or exceed the State's remaining claim. The State believes it has meritorious defenses to the counterclaim. Any recovery in this litigation must be used under federal law to further reclamation and recovery efforts or to offset attorney's fees and assessment costs incurred by the State.

B. Federal Contingencies:

Federal Financial Assistance - The State receives federal financial assistance for specified purposes which are subject to review and audit in accordance with the Single Audit Act of 1996. Any disallowances resulting from these audits would become the liability of the State. There are no disallowances reported as of June 30, 1999.

USDA Commodities - In fiscal year 1999, the State distributed \$7,338,857 in commodities. The value at June 30, 1999, of commodities stored in the State's warehouses is \$1,699,563 for which the State is liable in the event of loss.

C. Miscellaneous Contingencies:

Commitment Fees - The Board of Investments (BOI) and the Montana Health Facility Authority (MHFA) have entered into a capital reserve account agreement for certain bond issues. In accordance with the agreement, the BOI irrevocably committed to lend the MHFA funds sufficient to ensure timely payments of principal and interest on the bonds. If necessary, the loans will be made by the BOI from the Coal Severance Tax Permanent Trust Fund. The total amount of these bonds outstanding as of June 30, 1999, is \$33,581,798.

The BOI has issued INTERCAP bonds backed by commitments from the Coal Severance Tax Permanent Trust Fund. The total amount of these bonds outstanding as of June 30, 1999, is \$53,319,005.

Gain Contingencies - Certain natural resource and corporation tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 1999, the following assessments (by fund type) were outstanding (in thousands):

<u>Taxes</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonexpendable Trust</u>
Corporation	\$ 4,783	\$ -	\$ -	\$ -
Coal Severance	9,680	3,539	5,463	19,656
Oil & Gas	7,747	-	-	-
Resource Indemnity	-	530	-	450
Totals	<u>\$ 22,210</u>	<u>\$ 4,069</u>	<u>\$ 5,463</u>	<u>\$ 20,106</u>

Collectibility of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. Interest related to Corporation Tax Assessments is distributed 100% to the General Fund.

Loss Contingencies - Certain corporation(s) have requested refunds that are not reported on the State's financial statements as of June 30, 1999. As of June 30, 1999, \$3,904,881 of General Fund corporation tax refunds were outstanding.

20. SUBSEQUENT EVENTS

On August 1, 1999, the Montana Health Facility Authority issued \$11,500,000 of Health Care Facilities Revenue Bonds, Series 1999, for the Sidney Health Center.

On August 4, 1999, the Montana Board of Housing issued \$60,000,000 of Single Family Bonds, 1999 Series A.

On August 15, 1999, the Montana Board of Housing issued \$9,860,000 of Multi-Family Mortgage Bonds, 1999 Series A under Montana Preservation Projects.

On October 21, 1999, the Montana University System issued Series F 1999 Revenue Bonds. Bond proceeds of \$69.24 million will be used for the purpose of restructuring A, B and D Facilities Improvement Revenue Bonds, and for the acquisition, construction, remodeling, improvement and equipping certain facilities and properties at The University of Montana.

On July 1, 1999, the State of Montana converted to a Peoplesoft computerized Accounting System.

In July 1999, the State of Montana received approximately \$151 million from the settlement with Arco. This money was distributed to the Upper Clark Fork River Basin Restoration Fund and the Streamside Tailings Unit Fund.

STATE OF MONTANA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 1999

Year 2000 Issues

The year 2000 (Y2K) issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00". Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, Y2K could affect electronic equipment - such as environmental systems and elevators - containing computer chips that have date recognition features.

The State of Montana has been addressing Y2K issues relating to its computer systems and other electronic equipment for more than two years. Agencies have inventoried and analyzed all of their computer systems and report the status of their systems through a centralized reporting system maintained by the Information Services Division (ISD) of the Department of Administration.

ISD established the Year 2000 Project Team to assure that all ISD's systems were Y2K compliant and to encourage and facilitate state agency compliance. The main goals of the team are to promote awareness, perform compliance assessment, and to develop a compliance plan. The following stages have been identified as necessary to implement a year 2000 compliant system:

- 1) Awareness Stage - the establishment of a budget and project plan;
- 2) Assessment Stage - the process of identifying all of the systems and individual of components of the computer systems and their state of Y2K readiness;
- 3) Remediation Stage - the actual changes to the systems and equipment. This stage deals primarily with the technical issues of converting existing systems or changing to compliant systems; and
- 4) Validation/Testing Stage - the validation and testing of the changes made during the remediation process. The development of test data and test scripts are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and retested.

ISD and other state agencies identified 710 systems, including hardware, software, firmware and application systems, that were date sensitive. The systems were categorized according to the level of disruption that could result if the system failed. This categorization resulted in 30% of the systems being considered "mission critical" or High Priority (e.g., payroll, drivers licensing, warrant writing), 30% Medium Priority (e.g., employee time sheet, budget preparation system), and 40% Low Priority (e.g., package preparation, warehouse inventory). A plan was developed for each system detailing how the problem will be addressed (repair, replace or retire the system), as well as, a target date for system compliance. The awareness and assessment stages are complete for all systems. The schedule of remediation and testing is tracked on a monthly basis by ISD. At June 30, 1999, 542 systems (76%), including 171 mission critical systems, had successfully completed the testing stage; as of October 6, 1999 623 systems including 188 mission critical systems had completed the testing stage. The remaining 168 systems, of which 56 were mission critical, are in the remediation stage.

Listed below are the mission critical systems which, as of June 30, 1999, are still in the remediation stage. The target date for completion of remediation and testing for all mission critical systems is November 1999.

High Priority Systems in Remediation Stage

Telephone Management System
Criminal History Records
Driver's License Document System
Digital Driver License System
Ground Water Well Testing
Agricultural Lab Information Management
Instant Lottery System
Lottery Internal Control System
On-Line Lottery System
Adult Correctional Information System
State Hospital Resident Accounts System
Hardrock Permit/Bonding Tracking System
Coal Mine Complaint Tracking Database
Coal Mine Inspections & Maintenance
Coal Mine Permit Tracking
Coal Mine Violation Tracking
Opencut Permit/Bonding Tracking System
Fish, Wildlife & Parks Enforcement System

Legislative Appropriation System
 Revenue Estimate System
 Legislative Audit Management System
 Hazard Reduction Act Compliance
 Legislative Budget System Legislative Vote
 Systems Legislative Publications Distribution
 Handicapped Children Services
 Enforcement & Receipt of Child Support
 Delinquent Accounts Receivable System
 Electronic Media Reporting System
 Montana Automated Contribution System
 Revenue Control System
 Confiscation/Refund System
 Revenue Interface with State Mainframe
 Withholding Tax System Cigarette Quota System
 Individual Income Tax System
 Inheritance Tax System
 Minerals Management Interface
 Remittance Processing Scanner
 Uniform Commercial Code Systems
 State Library Operating System
 Worker's Compensation Medical Payment
 Worker's Compensation NCCI System
 Worker's Compensation Policy
 Securities Regulation System
 Worker's Compensation Accounting
 State Auditor's Securities System
 Transportation Building Maintenance
 Transportation Contract Management
 Highways Maintenance Management
 Transportation Stores Inventory Control

On July 1, 1999, the State of Montana implemented a new accounting, budgeting and human resource system. In fiscal year 1998, bonds were issued to purchase replacement systems or update current systems for the following:

Statewide Accounting System	\$16.0 million
Statewide Budget System	.5 million
Integrated Revenue and Tax System	14.0 million
Accounts Receivable System	3.8 million
Unemployment Benefit Package	2.0 million
Montana University System	3.2 million
Corrections Computer System	<u>1.9 million</u>
TOTAL	\$41.4 million

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that Montana is or will be year 2000 ready, that the remediation efforts will be successful in whole or in part, or that parties with whom Montana does business will be year 2000 ready.

COMPONENT UNITS

The Montana University System (MUS) has been addressing the Y2K issue for the last two years. The major administrative support systems have been or are currently being replaced or upgraded to systems that are Year 2000 compliant. These systems include Finance (purchasing, payables, receivables, and accounting), Human Resources (personnel and payroll), and Student (billing, financial aid, admissions, and registration). The MUS does not anticipate disruption of services as a result of non-compliant internal systems.

The State Fund has been addressing Y2K issues relating to its computer systems and other electronic equipment for more than two years. The State Fund established a Project Team to assure that all system are Y2K compliant. The main goals of the team are to promote awareness, perform compliance assessment and develop a compliance plan. A plan was developed for the whole system detailing how the problem would be addressed (repair, replace or retire); as well as a target date to have the system complaint. As of June 30, 1999, all four stages - awareness, assessment, remediation, and testing - were completed for all mission critical systems.

The Montana Board of Housing has performed a basic analysis of its computer hardware, software, and office equipment for Y2K compliance. The Board is currently working in the remediation stage and expects to complete the upgrade or replacement of necessary systems and equipment by September 30, 1999. The Board has nearly completed the process of surveying its trustees, loan servicers, and other third parties with which it has programmatic or financial interactions for information regarding the status of their Y2K readiness. The Board does not currently anticipate that Y2K compliance issues of partner organizations will have a material adverse effect on the Board.

The Pension Trust Funds, consisting of the Teachers' Retirement System and the Public Employees' Retirement Board, have concluded all stages of Y2K remediation and successfully completed the testing and validation stage on all mission critical systems.

Montana



Combining, Individual Fund and Account Group Statements/Schedules

The financial statements that follow provide detailed information on the financial position and results of operations, by fund, for each fund type. Budget basis schedules provide comparisons of the legally established budget with actual data on the budgetary basis for expenditures/expenses and transfers out. These schedules were compiled from the Statewide Budgeting and Accounting System (SBAS).



Drawings courtesy of Central School, Helena, Montana

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. A brief description of each Special Revenue Fund follows:

State - This fund accounts for money from State and other sources that are earmarked for the purpose of defraying particular costs of an agency, program or function.

Federal - This fund accounts for money from federal sources that is used for the operation of State government.

STATE OF MONTANA
Combining Balance Sheet
Special Revenue Funds
June 30, 1999
(Expressed in Thousands)

	STATE	FEDERAL	TOTALS
ASSETS:			
Cash/Cash Equivalents	\$ 176,409	\$ 47,328	\$ 223,737
Receivables (Net)	62,590	10,087	72,677
Interfund Loans Receivable	61,766	20	61,786
Due from Other Governments	2,399	135,208	137,607
Due from Component Units	297	20	317
Due from Other Funds	18,466	2,809	21,275
Inventories	22,715	11,603	34,318
Long-Term Notes/Loans Receivable	55,864	357	56,221
Advances to Other Funds	136	-	136
Equity in Pooled Investments	9,511	-	9,511
Investments	40,989	6,039	47,028
Securities Lending Collateral	7,779	2,817	10,596
Other Assets	1,486	1,544	3,030
TOTAL ASSETS	\$ 460,407	\$ 217,832	\$ 678,239
LIABILITIES/FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 75,499	\$ 76,336	\$ 151,835
Interfund Loans Payable	3,971	80,804	84,775
Advances from Other Funds	4,648	5,043	9,691
Due to Other Governments	1,000	6,175	7,175
Due to Component Units	1,495	737	2,232
Due to Other Funds	14,788	12,200	26,988
Deferred Revenue	7,871	18,272	26,143
Property Held in Trust	2,478	292	2,770
Securities Lending Liability	7,779	2,817	10,596
Other Liabilities	13	-	13
Total Liabilities	119,542	202,676	322,218
Fund Balances:			
Reserved For:			
Encumbrances	24,280	6,137	30,417
Inventories	22,715	-	22,715
Long-Term Loans	55,864	357	56,221
Long-Term Advances	136	-	136
Trusts	-	6,552	6,552
Federal Loans	-	10,586	10,586
Unreserved:			
Designated	2,463	-	2,463
Undesignated	235,407	(8,476)	226,931
Total Fund Balances	340,865	15,156	356,021
TOTAL LIABILITIES/FUND BALANCES	\$ 460,407	\$ 217,832	\$ 678,239

STATE OF MONTANA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	STATE	FEDERAL	TOTALS
REVENUES:			
Licenses/Permits	\$ 88,567	\$ -	\$ 88,567
Taxes:			
Natural Resource	31,610	-	31,610
Corporate Income	10,681	-	10,681
Property	8,109	-	8,109
Fuel	181,090	-	181,090
Other	67,743	-	67,743
Charges for Services/Fines/Forfeits	97,577	25,338	122,915
Investment Earnings	6,874	1,435	8,309
Securities Lending Income	374	137	511
Sale of Documents/Mdse./Property	3,879	3	3,882
Rentals/Leases/Royalties	357	-	357
Contributions/Premiums	4,451	-	4,451
Grants/Contracts/Donations	10,565	485	11,050
Federal	630	952,494	953,124
Federal Indirect Cost Recoveries	23	1,819	1,842
Other Revenues	1,423	1,887	3,310
Total Revenues	513,953	983,598	1,497,551
Intrafund Revenues	(1,339)	(7,888)	(9,227)
Net Revenues	512,614	975,710	1,488,324
EXPENDITURES:			
Current:			
General Government	53,986	3,691	57,677
Public Safety/Corrections	60,115	21,494	81,609
Transportation	161,122	220,178	381,300
Health/Social Services	76,553	533,558	610,111
Education/Cultural	4,823	101,784	106,607
Resource Development/Recreation	50,731	25,184	75,915
Economic Development/Assistance	30,781	73,206	103,987
Debt Service:			
Principal Retirement	10,459	481	10,940
Interest/Fiscal Charges	2,814	36	2,850
Capital Outlay	15,628	10,573	26,201
Securities Lending	357	131	488
Total Expenditures	467,369	990,316	1,457,685
Intrafund Expenditures	(1,339)	(7,888)	(9,227)
Net Expenditures	466,030	982,428	1,448,458
Excess of Revenues Over (Under) Expenditures	46,584	(6,718)	39,866
OTHER FINANCING SOURCES (USES):			
Loan Proceeds	-	2,709	2,709
Bond Proceeds	4,103	-	4,103
Inception of Lease/Installment Contract	39	72	111
General Fixed Asset Sale Proceeds	68	-	68
Operating Transfers In	34,330	1,800	36,130
Operating Transfers Out	(30,456)	(21,142)	(51,598)
Operating Transfers to Component Units	(14,728)	-	(14,728)
Total Other Financing Sources (Uses)	(6,644)	(16,561)	(23,205)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	39,940	(23,279)	16,661
FUND BALANCES - JULY 1 - As Previously Reported	301,528	30,809	332,337
Prior Period Adjustments	831	7,628	8,459
FUND BALANCES - July 1 - As Restated	302,359	38,437	340,796
Increase (Decrease) in Inventories	(1,504)	-	(1,504)
Residual Equity Transfers	70	(2)	68
FUND BALANCES - JUNE 30	\$ 340,865	\$ 15,156	\$ 356,021

STATE OF MONTANA
Schedule of Revenues, Expenditures, Other Financing Sources (Uses)
Budget and Actual with Reconciliation of Unreserved Fund Balance per the
Statewide Budgeting and Accounting System (SBAS) to Budget Basis Statement in the GPFS
Special Revenue Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	STATE SPECIAL REVENUE FUND			FEDERAL SPECIAL REVENUE FUND			TOTALS YEAR ENDED JUNE 30		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES:									
Licenses/Permits	\$ 87,674	\$ 89,114	\$ 1,440	\$ -	\$ -	\$ -	\$ 87,674	\$ 89,114	\$ 1,440
Taxes:									
Natural Resource	47,164	29,378	(17,786)	-	-	-	47,164	29,378	(17,786)
Corporate Income	12,000	9,482	(2,518)	-	-	-	12,000	9,482	(2,518)
Property	8,519	5,152	(3,367)	-	-	-	8,519	5,152	(3,367)
Fuel	182,932	181,090	(1,842)	-	-	-	182,932	181,090	(1,842)
Other	60,799	68,648	7,849	-	-	-	60,799	68,648	7,849
Charges for Services/Fines/Forfeits	78,988	61,129	(17,859)	4,814	24,594	19,780	83,802	85,723	1,921
Investment Earnings	3,981	3,831	(150)	1,371	853	(518)	5,352	4,684	(668)
Sale of Documents/Merchandise/Property	4,558	3,794	(764)	3	3	-	4,561	3,797	(764)
Rentals/Leases/Royalties	159	302	143	-	-	-	159	302	143
Contributions/Premiums	4,400	4,451	51	-	-	-	4,400	4,451	51
Grants/Contracts/Donations	10,056	8,022	(2,034)	1,866	(5)	(1,871)	11,922	8,017	(3,905)
Federal	1,231	630	(601)	998,274	904,294	(93,980)	999,505	904,924	(94,581)
Federal Indirect Cost Recoveries	21	23	2	1,755	1,816	61	1,776	1,839	63
Other Revenues	1,260	920	(340)	-	1,675	1,675	1,260	2,595	1,335
Total Revenues	503,742	465,966	(37,776)	1,008,083	933,230	(74,853)	1,511,825	1,399,196	(112,629)
EXPENDITURES:									
Current:									
General Government	79,869	53,264	26,605	5,278	3,606	1,672	85,147	56,870	28,277
Public Safety/Corrections	65,770	60,159	5,611	54,614	21,300	33,314	120,384	81,459	38,925
Transportation	176,066	176,394	(328)	222,601	220,421	2,180	398,667	396,815	1,852
Health/Social Services	83,552	69,482	14,070	528,440	478,635	49,805	611,992	548,117	63,875
Education/Cultural	6,141	4,456	1,685	108,899	101,820	7,079	115,040	106,276	8,764
Resource Development/Recreation	67,614	55,298	12,316	32,616	26,878	5,738	100,230	82,176	18,054
Economic Development/Assistance	42,566	34,888	7,678	90,305	75,215	15,090	132,871	110,103	22,768
Debt Service:									
Principal Retirement	652	651	1	490	490	-	1,142	1,141	1
Interest/Fiscal Charges	364	364	-	53	37	16	417	401	16
Capital Outlay	16,461	12,998	3,463	11,051	11,134	(83)	27,512	24,132	3,380
Total Expenditures	539,055	467,954	71,101	1,054,347	939,536	114,811	1,593,402	1,407,490	185,912
Excess of Rev Over (Under) Expend.	(35,313)	(1,988)	33,325	(46,264)	(6,306)	39,958	(81,577)	(8,294)	73,283
OTHER FINANCING SOURCES (USES):									
Loan Proceeds	-	-	-	3,165	3,103	(62)	3,165	3,103	(62)
Bond Proceeds	6,565	5,104	(1,461)	-	-	-	6,565	5,104	(1,461)
General Fixed Asset Sale Proceeds	80	43	(37)	-	-	-	80	43	(37)
Operating Transfers In	20,955	15,656	(5,299)	6,905	4,471	(2,434)	27,860	20,127	(7,733)
Operating Transfers Out	(31,777)	(12,224)	19,553	(53,452)	(9,611)	43,841	(85,229)	(21,835)	63,394
Transfers to Component Units	(14,728)	(14,728)	-	-	-	-	(14,728)	(14,728)	-
Total Other Financing Sources (Uses)	(18,905)	(6,149)	12,756	(43,382)	(2,037)	41,345	(62,287)	(8,186)	54,101
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (Budgetary Basis)	(54,218)	(8,137)	46,081	(89,646)	(8,343)	81,303	(143,864)	(16,480)	127,384
RECONCILIATION OF BUDGETARY/GAAP REPORTING:									
1. Adjust expenditures for encumbrances.	-	25,076	25,076	-	3,439	3,439	-	28,515	28,515
2. Adjustments for nonbudgeted activity	-	22,984	22,984	-	(18,381)	(18,381)	-	4,603	4,603
3. Intrafund elimination - Revenues/Transfers In	-	(41,127)	(41,127)	-	(40,429)	(40,429)	-	(81,556)	(81,556)
4. Intrafund elimination - Expenditures/Transfers Out	-	41,127	41,127	-	40,429	40,429	-	81,556	81,556
5. Securities Lending Income	-	374	374	-	137	137	-	511	511
6. Securities Lending Costs	-	(357)	(357)	-	(131)	(131)	-	(488)	(488)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (GAAP Basis)	(54,218)	39,940	94,158	(89,646)	(23,279)	66,367	(143,864)	16,661	160,525
Unreserved Fund Balances - July 1	206,332	206,332	-	22,886	1,601	(21,285)	229,218	207,933	(21,285)
Residual Equity Transfers	70	70	-	(327)	(2)	325	(257)	68	325
Prior Period Adjustments	-	831	831	-	7,628	7,628	-	8,459	8,459
Decrease (Increase):									
Encumbrances Reserve	-	2,911	2,911	-	3,323	3,323	-	6,234	6,234
Advances to Other Funds Reserve	-	127	127	-	-	-	-	127	127
Long-Term Loans Reserve	-	(12,341)	(12,341)	-	607	607	-	(11,734)	(11,734)
Trusts/Endowments Reserve	-	-	-	-	1,646	1,646	-	1,646	1,646
Unreserved Fund Balances - June 30	\$ 152,184	\$ 237,870	\$ 85,686	\$ (67,087)	\$ (8,476)	\$ 58,611	\$ 85,097	\$ 229,394	\$ 144,297

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for the payment of general long-term obligation principal and interest. A brief description of each Debt Service Fund follows:

Coal Tax Bonds - Moneys in this fund are pledged for the payment of principal and interest on all State of Montana coal severance tax bonds.

Long-Range Building Program - This fund accounts for the payment of all long-range building program bonds and interest.

Water Development - This fund accounts for coal severance taxes pledged to retire bonds sold to make loans/grants for water development projects and activities, as prioritized by the Legislature.

Highway Revenue Bonds - This fund accounts for gasoline taxes pledged for payment of principal and interest on bonds issued for the purpose of constructing highways in Montana.

Health Facility Bonds - This fund accounts for funds from services provided to patients at the Montana Developmental Center and Montana State Hospital to pay off bonds issued by the Montana Health Facility.

Information Technology Bonds - This fund accounts for the accumulation and payment of resources for Information Technology bond debt service requirements.

Department of Social and Rehabilitation Services (SRS) Building - The building occupied by SRS is owned by the Teachers' Retirement System and is leased to the State through a lease-purchase agreement. This fund accounts for the lease payments to the retirement system.

Renewable Resource - This fund accounts for coal severance taxes pledged to retire bonds that were sold to provide funds to finance renewable resource projects.

Water Conservation Bonds - This fund accounts for Water Conservation Bonds issued for four projects: Sidney, Little Dry, South Side Canal and Petrolia.

Energy Bonds - This fund accounts for General Obligation bonds issued for State Building Energy Conservation Projects.

STATE OF MONTANA
Combining Balance Sheet
Debt Service Funds
June 30, 1999
(Expressed in Thousands)

	COAL TAX BONDS	LONG-RANGE BUILDING PROGRAM	WATER DEVELOPMENT	HIGHWAY REVENUE BONDS
ASSETS:				
Cash/Cash Equivalents	\$ 7,326	\$ 3,999	\$ 2,431	\$ 12,646
Receivables (Net)	380	656	588	-
Due from Other Funds	-	171	-	-
Long-Term Notes/Loans Receivable	28,487	-	6,364	-
Investments	1,669	-	1,326	-
Securities Lending Collateral	1,030	-	70	18
TOTAL ASSETS	\$ 38,892	\$ 4,826	\$ 10,779	\$ 12,664
LIABILITIES/FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 3	\$ 51	\$ -	-
Due to Other Funds	6	525	756	-
Securities Lending Liability	1,030	-	70	18
Total Liabilities	1,039	576	826	18
Fund Balances:				
Reserved for Long-Term Loans	28,487	-	6,364	-
Reserved for Debt Service	6,248	-	-	-
Unreserved, Designated	3,118	4,250	3,589	12,646
Total Fund Balances	37,853	4,250	9,953	12,646
TOTAL LIABILITIES/FUND BALANCES	\$ 38,892	\$ 4,826	\$ 10,779	\$ 12,664

HEALTH CARE DEBT SERVICE	IT BONDS	SRS BLDG	RENEWABLE RESOURCE	WATER CONSERVATION BONDS	ENERGY BONDS	TOTALS
\$ 5,275	\$ 447	\$ 27	\$ 69	\$ -	\$ 204	32,424
-	-	-	8	-	-	1,632
59	-	-	-	-	-	230
-	-	-	-	59	-	34,910
-	-	-	-	-	-	2,995
-	-	-	-	-	11	1,129
<u>\$ 5,334</u>	<u>\$ 447</u>	<u>\$ 27</u>	<u>\$ 77</u>	<u>\$ 59</u>	<u>\$ 215</u>	<u>73,320</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	54
-	-	-	-	-	99	1,386
-	-	-	-	-	11	1,129
-	-	-	-	-	110	2,569
-	-	-	-	59	-	34,910
-	-	-	-	-	-	6,248
5,334	447	27	77	-	105	29,593
<u>5,334</u>	<u>447</u>	<u>27</u>	<u>77</u>	<u>59</u>	<u>105</u>	<u>70,751</u>
<u>\$ 5,334</u>	<u>\$ 447</u>	<u>\$ 27</u>	<u>\$ 77</u>	<u>\$ 59</u>	<u>\$ 215</u>	<u>73,320</u>

STATE OF MONTANA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Debt Service Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	COAL TAX BONDS	LONG-RANGE BUILDING PROGRAM	WATER DEVELOPMENT	HIGHWAY REVENUE BONDS
REVENUES:				
Taxes:				
Gas/Oil/Coal Production	\$ -	\$ 490	\$ 358	\$ -
Charges for Services/Fines/Forfeits	-	455	-	-
Investment Earnings	1,697	1,367	2,233	343
Securities Lending Income	99	90	4	24
Federal	-	132	-	-
Sale of Documents/Mdse./Property	2,706	-	-	-
Total Revenues	4,502	2,534	2,595	367
EXPENDITURES:				
General Government	-	-	-	-
Principal Retirement	2,695	5,515	735	10,865
Interest/Fiscal Charges	3,391	5,726	992	2,825
Securities Lending	94	86	4	23
Total Expenditures	6,180	11,327	1,731	13,713
Excess of Revenues Over (Under) Expenditures	(1,678)	(8,793)	864	(13,346)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	662	8,533	826	13,592
Operating Transfers Out	(623)	(583)	(942)	-
Total Other Financing Sources (Uses)	39	7,950	(116)	13,592
Excess of Revenues/Other Sources Over (Under) Expenditures/ Other Uses	(1,639)	(843)	748	246
FUND BALANCES - July 1 -				
As Previously Reported	39,480	4,991	9,205	12,400
Prior Period Adjustments	12	-	-	-
FUND BALANCES - July 1 - As Restated	39,492	4,991	9,205	12,400
Residual Equity Transfers	-	102	-	-
FUND BALANCES - June 30	\$ 37,853	\$ 4,250	\$ 9,953	\$ 12,646

HEALTH CARE DEBT SERVICE	IT BONDS	SRS BLDG	RENEWABLE RESOURCE	WATER CONSERVATION BONDS	ENERGY BONDS	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	848
-	-	-	-	-	739	1,194
832	446	-	76	3	99	7,096
-	11	-	-	-	7	235
-	-	-	-	-	-	132
-	-	-	-	-	-	2,706
832	457	-	76	3	845	12,211
-	-	6	-	-	-	6
320	4,330	-	-	3	551	25,014
2,038	1,686	-	-	3	192	16,853
-	10	-	-	-	7	224
2,358	6,026	6	-	6	750	42,097
(1,526)	(5,569)	(6)	76	(3)	95	(29,886)
991	4,694	-	-	-	-	29,298
-	-	-	-	-	(99)	(2,247)
991	4,694	-	-	-	(99)	27,051
(535)	(875)	(6)	76	(3)	(4)	(2,835)
5,869	1,322	33	1	62	109	73,472
-	-	-	-	-	-	12
5,869	1,322	33	1	62	109	73,484
-	-	-	-	-	-	102
\$ 5,334	\$ 447	\$ 27	\$ 77	\$ 59	\$ 105	\$ 70,751



CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major governmental general fixed assets. A brief description of each Capital Projects Fund follows:

Long-Range Building Program - This fund is maintained to account for resources received and expended for the State's long-range building program. The long-range building program includes costs for the acquisition, construction and improvement of major fixed assets financed by general obligation bonds and interest earned on bond proceeds.

Information Technology Project - This fund accounts for resources received and expended for Information Technology projects for various upgrade and replacement activities.

Federal/Private Construction Grants - This fund accounts for federal grants, private donations and federal matching funds that are restricted to general fixed asset construction.

Capital Land Grant - This fund accounts for revenues and expenditures from the capital land grant. Revenues are dedicated for the purpose of constructing capital buildings or additions thereto. Revenues may be transferred to a Debt Service Fund for the payment of principal and interest on bonds issued for capital building construction.

STATE OF MONTANA
Combining Balance Sheet
Capital Projects Funds
June 30, 1999
(Expressed in Thousands)

	LONG-RANGE BUILDING	IT PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTALS
ASSETS:					
Cash/Cash Equivalents	\$ 44,554	\$ 12,652	\$ 143	\$ 686	\$ 58,035
Receivables (Net)	1,303	-	-	-	1,303
Due from Component Units	108	-	-	-	108
Due from Other Funds	343	303	22	13	681
Securities Lending Collateral	2,132	661	-	-	2,793
Other Assets	27	-	-	4	31
TOTAL ASSETS	\$ 48,467	\$ 13,616	\$ 165	\$ 703	\$ 62,951
LIABILITIES/FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 3,655	\$ 295	\$ -	\$ 71	\$ 4,021
Interfund Loans Payable	135	83	-	-	218
Due to Component Units	45	-	-	-	45
Due to Other Funds	724	403	-	110	1,237
Property Held in Trust	6	-	-	-	6
Securities Lending Liability	2,132	661	-	-	2,793
Total Liabilities	6,697	1,442	-	181	8,320
Fund Balances:					
Reserved for Encumbrances	602	264	-	128	994
Unreserved	41,168	11,910	165	394	53,637
Total Fund Balances	41,770	12,174	165	522	54,631
TOTAL LIABILITIES/FUND BALANCES	\$ 48,467	\$ 13,616	\$ 165	\$ 703	\$ 62,951

STATE OF MONTANA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	LONG-RANGE BUILDING	IT PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTALS
REVENUES:					
Taxes:					
Natural Resource	\$ 4,524	\$ -	\$ -	\$ -	4,524
Cigarette/Tobacco	1,915	-	-	-	1,915
Charges for Services/Fines/Forfeits	730	-	-	-	730
Investment Earnings	518	586	-	-	1,104
Securities Lending Income	43	63	-	-	106
Other Revenues	48	-	-	-	48
Total Revenues	7,778	649	-	-	8,427
EXPENDITURES:					
Current:					
General Government	34	12,252	-	14	12,300
Public Safety/Corrections	-	555	-	-	555
Resource Development/Recreation	49	-	-	-	49
Economic Development/Assistance	-	922	-	-	922
Debt Service Int/Fiscal Charge	35	-	-	-	35
Capital Outlay	45,424	235	13	303	45,975
Securities Lending	41	60	-	-	101
Total Expenditures	45,583	14,024	13	317	59,937
Excess of Revenues Over (Under) Expenditures	(37,805)	(13,375)	(13)	(317)	(51,510)
OTHER FINANCING SOURCES (USES):					
Bond Proceeds	16,990	-	-	-	16,990
Operating Transfers In	9,194	-	-	493	9,687
Operating Transfers Out	(3,374)	-	-	(451)	(3,825)
Total Other Financing Sources (Uses)	22,810	-	-	42	22,852
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	(14,995)	(13,375)	(13)	(275)	(28,658)
FUND BALANCES - July 1 - As Previously Reported	56,937	25,549	178	797	83,461
Residual Equity Transfers	(172)	-	-	-	(172)
FUND BALANCES - June 30	\$ 41,770	\$ 12,174	\$ 165	\$ 522	\$ 54,631

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that provide goods or services to the public on a user charge basis. A brief description of each Enterprise Fund follows:

Economic Development Bonds - This operation is directed by the nine-member Board of Investments, administered by the Department of Commerce. This fund accounts for the Industrial Development Bond (IDB) Program and the Montana Cash Anticipation Program. This program assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Liquor Warehouse - This fund accounts for activities related to the sale and distribution of alcoholic beverages and licensing within the State. Profits and license fees are used to finance General Fund expenditures.

Hail Insurance - Any producer engaged in the growing of crops subject to damage by hail may participate in the hail insurance program. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs and benefits paid by the Department of Agriculture.

State Lottery - This fund accounts for the operations of Montana's lottery.

Montana State Prison Ranch/Industries, Swan River Vocational Training and Women's Prison Industries- These operations provide training and employment for inmates. The products produced are sold to State agencies, non-profit organizations and other customers in accordance with State policies.

Uninsured Employers - This fund accounts for fines and penalties collected from employers that do not carry workers' compensation coverage and benefits paid to their employees who are injured on the job.

Subsequent Injury - This fund accounts for the assessments collected from employers and benefits paid to workers who are certified as vocationally handicapped and are injured on the job.

Montana Career Information System - A private organization that collects and distributes labor market and educational data in software and books to various schools and agencies. The MCIS is funded through a combination of user fees and state grants.

Secretary of State Business Services - This fund accounts for the Business and Government Services activities and the Administrative Code Program of the Secretary of State's Office.

Historical Society Publications - This fund accounts for the Historical Society's sales from "Montana, The Magazine of Western History", books, publications and merchandise from the Historical Society store.

Surplus Property - The Department of Administration accounts for intragovernmental sales of state and federal surplus property to State agencies, local governments and certain other non-profit organizations in this fund.

West Yellowstone Airport - This fund, administered by the Department of Transportation, accounts for operations of the airport at West Yellowstone. User airlines are assessed rent and landing fees.

Judiciary Law Library - This fund accounts for fees collected for on-line law library references and searches and the related administrative costs.

Local Government Audits - This fund accounts for the costs incurred by the Department of Commerce for audits of local governments required under Section 2-7-501 through 522 of the Montana Code Annotated and the fees assessed the local governments for the audits.

Deferred Compensation Administration Expenses - This fund accounts for the fees collected from the Deferred Compensation Plan participants for the administration of the plan and the related costs incurred in administering the plan.

Flexible Spending Administration - This fund accounts for the fees collected from the participants in the Flexible Spending programs and the related administrative costs of the plans administered by the Department of Administration and the Commissioner of Higher Education.

Department of Agriculture - This fund accounts for fees collected from persons importing, possessing or controlling alfalfa leaf-cutting bees and the costs incurred in certifying that the bees are disease free, and the application fees from the operations of the Beginning Farm Loan Program.

STATE OF MONTANA
Combining Balance Sheet
Enterprise Funds
June 30, 1999
(Expressed in Thousands)

	ECONOMIC		LIQUOR		HAIL		STATE		PRISON		PRISON		UNINSURED	
	DEVELOPMENT	BONDS	WAREHOUSE	INSURANCE	LOTTERY	RANCH	INDUSTRIES	EMPLOYERS						
ASSETS:														
Cash/Cash Equivalents	\$	8,390	\$	2,528	\$	3,297	\$	3,056	\$	1,272	\$	172	\$	1,375
Receivables (Net)		1,451		9,193		2,203		1,752		104		147		5,432
Interfund Loans Receivable		-		-		-		-		165		-		-
Due from Other Funds		-		22		2		4		83		230		14
Due from Component Units		-		-		-		-		-		62		-
Inventories		-		626		-		744		3,478		1,058		-
Long-Term Loans/Notes Receivable		53,940		-		-		-		-		-		-
Investments		5,751		-		2,966		-		-		-		-
Securities Lending Collateral		-		-		1,603		162		-		-		69
Land		-		-		-		-		690		-		-
Buildings/Improvements		-		1,736		-		94		2,514		523		-
Equipment		3		299		-		4,338		1,468		317		-
Other Fixed Assets		-		-		-		-		-		-		-
Construction in Progress		-		-		-		-		140		212		-
Accumulated Depreciation		(1)		(1,072)		-		(578)		(2,144)		(493)		-
Intangible Assets		-		-		-		1,115		183		-		1
Deferred Charges		963		-		-		-		-		-		-
Other Assets		2		55		-		2,049		-		1		-
TOTAL ASSETS	\$	70,499	\$	13,387	\$	10,071	\$	12,736	\$	7,953	\$	2,229	\$	6,891
LIABILITIES/FUND EQUITY:														
Liabilities:														
Accounts Payable	\$	1,140	\$	2,830	\$	14	\$	778	\$	52	\$	74	\$	5
Lottery Prizes Payable		-		-		-		3,357		-		-		-
Interfund Loans Payable		4		-		-		-		-		165		-
Due to Other Governments		-		-		11		-		-		-		-
Due to Component Units		-		-		-		1		-		-		-
Due to Other Funds		11		7,107		14		2,923		117		78		43
Deferred Revenue		107		1,177		1,749		72		-		37		-
Lease/Installment Purchase Payable		-		-		-		5,025		-		-		-
Bonds/Notes Payable (Net)		65,034		-		-		-		-		-		-
Property Held in Trust		138		55		-		3		-		-		-
Securities Lending Liability		-		-		1,603		162		-		-		69
Compensated Absences Payable		15		73		30		177		111		76		63
Estimated Insurance Claims		-		-		200		-		-		-		-
Arbitrage Rebate Tax Payable		171		-		-		-		-		-		-
Total Liabilities		66,620		11,242		3,621		12,498		280		430		180
Fund Equity:														
Contributed Capital		23		1,915		-		238		21		255		1
Retained Earnings:														
Unreserved		3,856		230		6,450		-		7,652		1,544		6,710
Total Fund Equity		3,879		2,145		6,450		238		7,673		1,799		6,711
TOTAL LIABILITIES/FUND EQUITY	\$	70,499	\$	13,387	\$	10,071	\$	12,736	\$	7,953	\$	2,229	\$	6,891

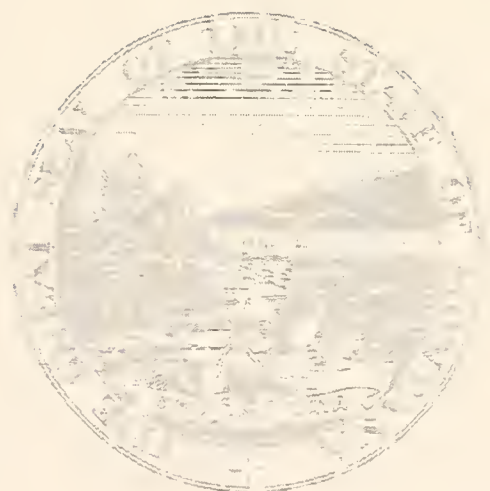
SUBSEQUENT INJURY	MT CAREER INFO SYS	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	JUDICIARY LAW LIBRARY	LOCAL GOVERNMENT AUDITS
\$ 669	\$ 23	\$ 1,120	\$ 137	\$ 365	\$ 259	\$ -	380
36	-	2	34	38	-	-	4
-	-	-	-	-	-	-	-
-	2	123	14	20	-	-	-
-	-	1	-	-	-	-	-
-	-	23	459	235	-	-	-
-	-	-	-	3	-	-	-
1,281	-	-	-	-	-	-	-
531	-	-	-	-	-	-	-
-	-	-	-	-	110	-	-
-	-	-	-	130	487	-	-
-	-	40	26	117	76	-	7
-	-	-	-	-	1,147	-	-
-	-	-	-	-	-	-	-
-	-	(9)	(4)	(105)	(1,371)	-	(6)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	14	-	1	-	-	1
\$ 2,517	\$ 25	\$ 1,314	\$ 666	\$ 804	\$ 708	\$ -	386

\$ 3	\$ 1	\$ 28	\$ 17	\$ 3	\$ -	\$ -	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	4	-	-	-
5	8	98	54	198	2	-	13
-	5	30	142	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	76	-	-	-	-	-
531	-	-	-	-	-	-	-
1	5	126	50	34	2	-	36
2,106	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,646	19	358	263	239	4	-	49
-	-	-	39	284	1,345	-	106
(129)	6	956	364	281	(641)	-	231
(129)	6	956	403	565	704	-	337
\$ 2,517	\$ 25	\$ 1,314	\$ 666	\$ 804	\$ 708	\$ -	386

(Continued on Next Page)

STATE OF MONTANA
Combining Balance Sheet - Continued
Enterprise Funds
June 30, 1999
(Expressed in Thousands)

	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
ASSETS:						
Cash/Cash Equivalents	\$ 2	\$ 320	\$ 9	\$ 2	\$ 2	23,378
Receivables (Net)	-	3	-	-	-	20,399
Interfund Loans Receivable	-	-	-	-	-	165
Due from Other Funds	-	3	-	-	-	517
Due from Component Units	-	65	-	-	-	128
Inventories	-	-	-	-	-	6,623
Long-Term Loans/Notes Receivable	-	-	-	-	-	53,943
Investments	-	-	-	-	-	9,998
Securities Lending Collateral	-	-	-	-	-	2,365
Land	-	-	-	-	-	800
Buildings/Improvements	-	-	-	-	-	5,484
Equipment	-	-	-	-	-	6,691
Other Fixed Assets	-	-	-	-	-	1,147
Construction in Progress	-	-	-	-	-	352
Accumulated Depreciation	-	-	-	-	-	(5,783)
Intangible Assets	-	-	-	-	-	1,299
Deferred Charges	-	-	-	-	-	963
Other Assets	-	27	-	-	-	2,150
TOTAL ASSETS	\$ 2	418	\$ 9	\$ 2	\$ 2	130,619
LIABILITIES/FUND EQUITY:						
Liabilities:						
Accounts Payable	\$ -	\$ 14	\$ -	\$ -	\$ -	4,959
Lottery Prizes Payable	-	-	-	-	-	3,357
Interfund Loans Payable	-	75	-	-	-	244
Due to Other Governments	-	-	-	-	-	11
Due to Component Units	-	-	-	-	-	5
Due to Other Funds	1	-	-	-	-	10,672
Deferred Revenue	-	5	-	-	-	3,324
Lease/Installment Purchase Payable	-	-	-	-	-	5,025
Bonds/Notes Payable (Net)	-	-	-	-	-	65,034
Property Held in Trust	-	-	-	-	-	272
Securities Lending Liability	-	-	-	-	-	2,365
Compensated Absences Payable	1	-	-	-	-	800
Estimated Insurance Claims	-	-	-	-	-	2,306
Arbitrage Rebate Tax Payable	-	-	-	-	-	171
Total Liabilities	2	94	-	-	-	98,545
Fund Equity:						
Contributed Capital	-	-	186	-	-	4,413
Retained Earnings:						
Unreserved	-	324	(177)	2	2	27,661
Total Fund Equity	-	324	9	2	2	32,074
TOTAL LIABILITIES/FUND EQUITY	\$ 2	\$ 418	\$ 9	\$ 2	\$ 2	130,619



STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
Enterprise Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

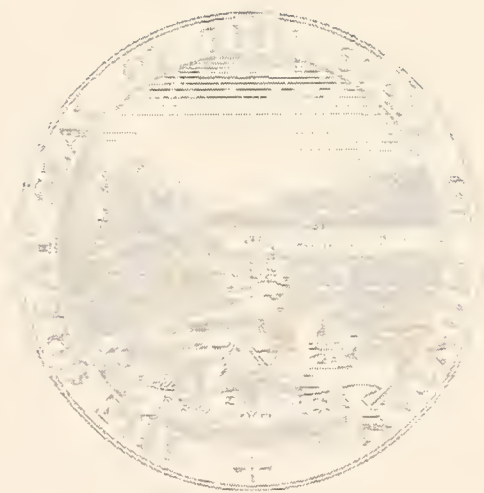
	ECONOMIC DEVELOPMENT BONDS	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON RANCH	PRISON INDUSTRIES	UNINSURED EMPLOYERS
OPERATING REVENUES:							
Charges for Services	\$ 10	\$ 38,782	\$ -	\$ 30,073	\$ 2,723	\$ 2,242	\$ 1
Investment Earnings	597	-	305	300	-	-	70
Securities Lending Income	-	-	110	11	-	-	5
Financing Income	3,320	-	-	-	-	-	-
Contributions/Premiums	-	-	2,359	-	-	-	-
Grants/Contracts/Donations	-	-	-	-	-	-	-
Taxes	-	11,029	-	-	-	-	-
Other Operating Revenues	-	95	8	2	2	-	1,963
Total Operating Revenues	3,927	49,906	2,782	30,386	2,725	2,242	2,039
OPERATING EXPENSES:							
Personal Services	135	614	198	1,241	951	943	583
Contractual Services	18	91	66	394	71	37	36
Supplies/Materials	19	29,818	4	133	667	1,048	26
Benefits/Claims (Note 3)	-	-	1,619	-	-	-	472
Depreciation	2	48	-	191	199	61	-
Amortization	-	-	-	41	7	-	-
Utilities/Rent	20	47	4	96	75	54	40
Communications	6	39	6	683	3	10	18
Travel	7	5	27	33	7	13	28
Repair/Maintenance	1	345	-	55	226	56	3
Lottery Prize Payments	-	-	-	15,050	-	-	-
Lottery Ticket Expense	-	-	-	4,965	-	-	-
Interest Expense	3,182	-	-	46	-	-	-
Securities Lending Expense	-	-	104	10	-	-	5
Arbitrage Rebate Tax	(299)	-	-	-	-	-	-
Other Operating Expenses	16	39	2	272	116	17	1,010
Total Operating Expenses	3,107	31,046	2,030	23,210	2,322	2,239	2,221
Operating Income (Loss)	820	18,860	752	7,176	403	3	(182)
NONOPERATING REVENUES (EXPENSES):							
Gain (Loss) Sale of Fixed Assets	(1)	-	-	-	-	-	-
Increase (Decrease) Value of Livestock	-	-	-	-	(38)	-	-
Total Nonoperating Revenues (Expenses)	(1)	-	-	-	(38)	-	-
Income (Loss) Before Operating Transfers	819	18,860	752	7,176	365	3	(182)
Operating Transfers In	-	-	-	-	-	-	-
Operating Transfers Out	-	(18,872)	(38)	(6,780)	(43)	(10)	-
Operating Transfers to Component Units	-	-	-	(45)	-	-	-
Income (Loss) Before Extraordinary Item	819	(12)	714	351	322	(7)	(182)
Extraordinary Loss on Legal Settlement	-	-	-	(350)	-	-	-
Net Income (Loss)	819	(12)	714	1	322	(7)	(182)
RETAINED EARNINGS - JULY 1 -							
As Previously Reported	3,037	287	5,729	(1)	7,347	1,539	6,892
Prior Period Adjustments	-	(45)	7	-	(17)	12	-
RETAINED EARNINGS - JULY 1- As Restated	3,037	242	5,736	(1)	7,330	1,551	6,892
RETAINED EARNINGS - JUNE 30	\$ 3,856	\$ 230	\$ 6,450	\$ -	\$ 7,652	\$ 1,544	\$ 6,710

SUBSEQUENT INJURY	MT CAREER INFO SYS	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	JUDICIARY LAW LIBRARY	LOCAL GOVERNMENT AUDITS
\$ 146	\$ 133	\$ 2,014	\$ 610	\$ 473	\$ 42	\$ -	246
65	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	28	-	-	-	-
-	-	-	-	-	-	-	-
-	-	26	2	-	61	26	-
225	133	2,040	640	473	103	26	246
16	72	1,097	337	224	36	-	161
1	10	707	61	13	10	26	5
-	17	93	161	183	7	-	7
1,323	-	-	-	-	-	-	-
-	-	4	2	13	22	-	-
-	-	-	-	2	-	-	-
1	2	69	19	19	11	-	7
-	5	133	39	20	2	-	5
-	7	19	7	18	-	-	1
-	-	7	2	6	13	-	2
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2	10	12	17	7	1	-	34
1,357	123	2,141	645	505	102	26	222
(1,132)	10	(101)	(5)	(32)	1	-	24
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(1,132)	10	(101)	(5)	(32)	1	-	24
-	-	-	55	-	18	-	-
-	(4)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(1,132)	6	(101)	50	(32)	19	-	24
-	-	-	-	-	-	-	-
(1,132)	6	(101)	50	(32)	19	-	24
1,003	-	1,056	308	313	(660)	-	207
-	-	1	6	-	-	-	-
1,003	-	1,057	314	313	(660)	-	207
\$ (129)	\$ 6	\$ 956	\$ 364	\$ 281	\$ (641)	\$ -	231

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - Continued
Enterprise Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
OPERATING REVENUES:						
Charges for Services	\$ -	\$ 77	\$ 5	\$ -	\$ -	77,577
Investment Earnings	50	-	-	-	-	1,387
Securities Lending Income	-	-	-	-	-	140
Financing Income	-	-	-	-	-	3,320
Contributions/Premiums	-	5,051	-	-	-	7,410
Grants/Contracts/Donations	-	-	-	-	-	28
Taxes	-	-	-	-	-	11,029
Other Operating Revenues	-	-	-	-	-	2,185
Total Operating Revenues	50	5,128	5	-	-	103,076
OPERATING EXPENSES:						
Personal Services	38	-	3	-	-	6,649
Contractual Services	1	90	-	-	-	1,637
Supplies/Materials	-	-	1	-	-	32,184
Benefits/Claims (Note 3)	-	5,008	-	-	-	8,422
Depreciation	-	-	-	-	-	542
Amortization	-	-	-	-	-	50
Utilities/Rent	1	-	-	-	-	465
Communications	7	3	-	-	-	979
Travel	2	-	1	-	-	175
Repair/Maintenance	-	-	-	-	-	716
Lottery Prize Payments	-	-	-	-	-	15,050
Lottery Ticket Expense	-	-	-	-	-	4,965
Interest Expense	-	-	-	-	-	3,228
Securities Lending Expense	-	-	-	-	-	133
Arbitrage Rebate Tax	-	-	-	-	-	(299)
Other Operating Expenses	1	80	-	-	-	1,636
Total Operating Expenses	50	5,181	5	-	-	76,532
Operating Income (Loss)	-	(53)	-	-	-	26,544
NONOPERATING REVENUES (EXPENSES):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	(1)
Increase (Decrease) Value of Livestock	-	-	-	-	-	(38)
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	(39)
Income (Loss) Before Operating Transfers	-	(53)	-	-	-	26,505
Operating Transfers In	-	-	-	-	-	73
Operating Transfers Out	-	-	-	-	-	(25,747)
Operating Transfers to Component Units	-	-	-	-	-	(45)
Income (Loss) Before Extraordinary Item	-	(53)	-	-	-	786
Extraordinary Loss on Legal Settlement	-	-	-	-	-	(350)
Net Income (Loss)	-	(53)	-	-	-	436
RETAINED EARNINGS - JULY 1 -						
As Previously Reported	-	377	(177)	2	2	27,261
Prior Period Adjustments	-	-	-	-	-	(36)
RETAINED EARNINGS - JULY 1- As Restated	-	377	(177)	2	2	27,225
RETAINED EARNINGS - JUNE 30	\$ -	\$ 324	\$ (177)	\$ 2	\$ 2	27,661



STATE OF MONTANA
Combining Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	ECONOMIC DEVELOPMENT BONDS	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON RANCH	PRISON INDUSTRIES	UNINSURED EMPLOYERS
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Sales and Services	\$ 11	\$ 37,792	\$ 2,048	\$ 29,214	\$ 2,702	\$ 2,164	\$ -
Payments to Suppliers for Goods and Services	(87)	(30,795)	(108)	(6,803)	(1,194)	(1,371)	(1,152)
Payments to Employees	(132)	(599)	(192)	(1,247)	(946)	(942)	(571)
Grant Receipts	-	-	-	-	-	-	-
Cash Payments for Claims	-	-	(1,899)	-	-	-	(470)
Cash Payments for Prizes	-	-	-	(14,970)	-	-	-
Other Operating Revenues	-	95	8	-	-	-	1,971
Net Cash Provided by (Used for) Operating Activities	(208)	6,493	(143)	6,194	562	(149)	(222)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Payment of Principal and Interest on Bonds and Notes	(6,182)	-	-	-	15	-	-
Proceeds from Issuance of Bonds and Notes	4,864	-	-	-	-	-	-
Payment of Bond Issuance Costs	-	-	-	-	-	-	-
Collection of Taxes	-	11,029	-	-	-	-	-
Transfers to Other Funds	-	(18,204)	(40)	(6,197)	-	(10)	-
Transfers to Component Units	-	-	-	(45)	-	-	-
Transfers from Other Funds	-	-	-	-	-	-	-
Proceeds from Interfund Loans	4	-	-	-	-	165	-
Interfund Loan Payments	-	-	-	-	(165)	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,314)	(7,175)	(40)	(6,242)	(150)	155	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition of Fixed Assets	-	(71)	-	-	(345)	(173)	-
Proceeds from Sale of Fixed Assets	-	-	-	2	-	-	-
Principal and Interest Payments on Bonds and Notes	-	-	-	-	-	-	(1)
Net Cash Used for Capital and Related Financing Activities	-	(71)	-	2	(345)	(173)	(1)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of Investments	(496)	-	(2,997)	-	-	-	-
Proceeds from Sales or Maturities of Investments	5,698	-	2,999	-	-	-	-
Proceeds from Securities Lending Transactions	-	-	112	11	-	-	5
Interest and Dividends on Investments	664	68	344	156	-	-	70
Payment of Securities Lending Costs	-	-	(107)	(10)	-	-	(5)
Collections of Principal and Interest on Loans	24,211	-	-	-	-	-	-
Cash Payments for Loans	(24,243)	-	-	-	-	-	-
Arbitrage Rebate Tax	(99)	-	-	-	-	-	-
Net Cash Provided by (Used for) Investing Activities	5,735	68	351	157	-	-	70
Net Increase (Decrease) in Cash and Cash Equivalents	4,213	(685)	168	111	67	(167)	(153)
Cash and Cash Equivalents, July 1	4,177	3,213	3,129	2,945	1,205	339	1,528
Cash and Cash Equivalents, June 30	\$ 8,390	\$ 2,528	\$ 3,297	\$ 3,056	\$ 1,272	\$ 172	\$ 1,375

SUBSEQUENT INJURY	MT CAREER INFO SYS	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	JUDICIAL LAW LIBRARY	LOCAL GOVERNMENT AUDITS
\$ 199	\$ 120	\$ 2,046	\$ 680	\$ 735	\$ 105	\$ 26	244
(4)	(49)	(1,024)	(389)	(267)	(47)	(27)	(64)
(13)	(64)	(1,009)	(315)	(217)	(38)	-	(157)
-	-	-	28	-	-	-	-
(235)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(1)	-	-	-	-	-	-	-
(54)	7	13	4	251	20	(1)	23
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(4)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	54	-	26	-	-
-	-	-	-	-	-	-	-
-	-	(90)	-	-	-	-	-
-	(4)	(90)	54	-	26	-	-
-	-	(26)	(9)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(26)	(9)	-	-	-	-
(697)	-	-	-	-	-	-	-
679	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-
109	-	-	-	-	-	-	-
(13)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
92	-	-	-	-	-	-	-
38	3	(103)	49	251	46	(1)	23
631	20	1,223	88	114	213	1	357
\$ 669	\$ 23	\$ 1,120	\$ 137	\$ 365	\$ 259	\$ -	\$ 380

(Continued on Next Page)

STATE OF MONTANA

Combining Statement of Cash Flows - Continued

Enterprise Funds

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Sales and Services	\$ -	\$ 5,123	\$ 4	\$ -	\$ -	\$ 83,213
Payments to Suppliers for Goods and Services	(11)	(186)	(1)	-	-	(43,579)
Payments to Employees	(38)	-	(3)	-	-	(6,483)
Grant Receipts	-	-	-	-	-	28
Cash Payments for Claims	-	(5,015)	-	-	-	(7,619)
Cash Payments for Prizes	-	-	-	-	-	(14,970)
Other Operating Revenues	-	-	-	-	-	2,073
Net Cash Provided by (Used for) Operating Activities	(49)	(78)	-	-	-	12,663
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Payment of Principal and Interest on Bonds and Notes	-	-	-	-	-	(6,167)
Proceeds from Issuance of Bonds and Notes	-	-	-	-	-	4,864
Payment of Bond Issuance Costs	-	-	-	-	-	-
Collection of Taxes	-	-	-	-	-	11,029
Transfers to Other Funds	-	-	-	-	-	(24,455)
Transfers to Component Units	-	-	-	-	-	(45)
Transfers from Other Funds	-	-	-	-	-	80
Proceeds from Interfund Loans	-	125	-	-	-	294
Interfund Loan Payments	-	(125)	-	-	-	(380)
Net Cash Provided by (Used for) Noncapital Financing Activities	-	-	-	-	-	(14,780)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of Fixed Assets	-	-	-	-	-	(624)
Proceeds from Sale of Fixed Assets	-	-	-	-	-	2
Principal and Interest Payments on Bonds and Notes	-	-	-	-	-	(1)
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-	(623)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of Investments	-	-	-	-	-	(4,190)
Proceeds from Sales or Maturities of Investments	-	-	-	-	-	9,376
Proceeds from Securities Lending Transactions	-	-	-	-	-	142
Interest and Dividends on Investments	51	-	-	-	-	1,462
Payment of Securities Lending Costs	-	-	-	-	-	(135)
Collections of Principal and Interest on Loans	-	-	-	-	-	24,211
Cash Payments for Loans	-	-	-	-	-	(24,243)
Arbitrage Rebate Tax	-	-	-	-	-	(99)
Net Cash Provided by (Used for) Investing Activities	51	-	-	-	-	6,524
Net Increase (Decrease) in Cash and Cash Equivalents	2	(78)	-	-	-	3,784
Cash and Cash Equivalents, July 1	-	398	9	2	2	19,594
Cash and Cash Equivalents, June 30	\$ 2	\$ 320	\$ 9	\$ 2	\$ 2	\$ 23,378

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Enterprise Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	ECONOMIC DEVELOPMENT BONDS	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON RANCH	PRISON INDUSTRIES	UNINSURED EMPLOYERS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:							
Operating Income (Loss)	\$ 820	\$ 18,860	\$ 752	\$ 7,176	\$ 403	\$ 3	(182)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:							
Depreciation	2	48	-	191	199	61	-
Amortization	-	-	-	41	7	-	-
Taxes	-	(11,029)	-	-	-	-	-
Interest Expense	3,182	-	-	46	-	-	-
Securities Lending Expense	-	-	104	10	-	-	5
Interest on Investments	(597)	-	(305)	(300)	-	-	(70)
Securities Lending Income	-	-	(110)	(11)	-	-	(5)
Financing Income	(3,320)	-	-	-	-	-	-
Arbitrage Rebate Tax	(299)	-	-	-	-	-	-
Extraordinary Item (Legal Settlement)	-	-	-	(350)	-	-	-
Change in Assets and Liabilities:							
Decr (Incr) in Accounts Receivable	-	(761)	(572)	(801)	9	(35)	8
Decr (Incr) in Due From Other Funds	-	(22)	5	6	(44)	(105)	(13)
Decr (Incr) in Due From Component Units	1	-	-	-	-	(39)	-
Decr (Incr) in Inventories	-	(431)	-	(430)	(24)	(157)	-
Decr (Incr) in Intangible Assets	-	-	-	7	-	-	-
Decr (Incr) in Long-Term Loans/Notes Rec	-	-	-	-	-	-	-
Decr (Incr) in Other Assets	(2)	-	-	24	-	-	-
Incr (Decr) in Accounts Payable	-	18	(5)	474	9	33	2
Incr (Decr) in Lottery Prizes Payable	-	-	-	155	-	-	-
Incr (Decr) in Due to Other Funds	4	15	(3)	27	6	51	22
Incr (Decr) in Due to Component Units	-	-	-	(2)	-	-	-
Incr (Decr) in Due to Other Governments	-	-	(2)	-	-	-	-
Incr (Decr) in Deferred Revenue	-	(218)	261	(71)	-	31	-
Incr (Decr) in Property Held in Trust	-	-	-	3	-	-	-
Incr (Decr) in Compensated Absences Pay	1	13	7	(1)	(3)	8	11
Incr (Decr) in Estimated Claims	-	-	(275)	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ (208)	\$ 6,493	\$ (143)	\$ 6,194	\$ 562	\$ (149)	(222)
SCHEDULE OF NONCASH TRANSACTIONS:							
Fixed Asset Acquisitions from Capital Leases	\$ -	\$ -	\$ -	\$ 3,875	\$ -	\$ -	-
Asset Acquisitions from Contributed Capital Transfers from Other Funds	-	-	-	-	-	-	-
Asset Disposals from Contributed Capital	-	-	(6)	-	-	-	-
Total Noncash Transactions	\$ -	\$ -	(6)	\$ 3,875	\$ -	\$ -	-

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Enterprise Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	SUBSEQUENT INJURY	MT CAREER INFO SYS	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS	SURPLUS PROPERTY
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ (1,132)	\$ 10	\$ (101)	\$ (5)	\$ (32)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Depreciation	-	-	4	2	13
Amortization	-	-	-	-	2
Taxes	-	-	-	-	-
Interest Expense	-	-	-	-	-
Securities Lending Expense	14	-	-	-	-
Interest on Investments	(65)	-	-	-	-
Securities Lending Income	(14)	-	-	-	-
Financing Income	-	-	-	-	-
Arbitrage Rebate Tax	-	-	-	-	-
Extraordinary Item (Legal Settlement)	-	-	-	-	-
Change in Assets and Liabilities:					
Decr (Incr) in Accounts Receivable	33	-	(1)	43	97
Decr (Incr) in Due From Other Funds	-	8	22	(13)	(20)
Decr (Incr) in Due From Component Units	20	-	(1)	-	-
Decr (Incr) in Inventories	-	-	(3)	(88)	-
Decr (Incr) in Intangible Assets	-	-	-	-	-
Decr (Incr) in Other Assets	-	-	(12)	-	1
Incr (Decr) in Accounts Payable	(1)	1	22	13	(3)
Incr (Decr) in Lottery Prizes Payable	-	-	-	-	-
Incr (Decr) in Due to Other Funds	5	(2)	44	10	187
Incr (Decr) in Due to Component Units	-	-	-	-	4
Incr (Decr) in Due to Other Governments	-	-	-	-	-
Incr (Decr) in Deferred Revenue	-	(12)	(1)	33	-
Incr (Decr) in Property Held in Trust	-	-	10	-	(2)
Incr (Decr) in Compensated Absences Pay	(1)	2	30	9	4
Incr (Decr) in Estimated Claims	1,087	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ (54)	\$ 7	\$ 13	\$ 4	\$ 251
SCHEDULE OF NONCASH TRANSACTIONS:					
Fixed Asset Acquisitions from Capital Leases	\$ -	\$ -	\$ -	\$ -	-
Asset Acquisitions from Contributed Capital Transfers from Other Funds	-	-	-	-	838
Asset Disposals from Contributed Capital	-	-	-	-	(839)
Total Noncash Transactions	\$ -	\$ -	\$ -	\$ -	(1)

WEST YELLOWSTONE AIRPORT	JUDICIAL LAW LIBRARY	LOCAL GOVERNMENT AUDITS	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
\$ 1	\$ -	24	\$ -	(53)	\$ -	\$ -	\$ -	26,544
22	-	-	-	-	-	-	-	542
-	-	-	-	-	-	-	-	50
-	-	-	-	-	-	-	-	(11,029)
-	-	-	-	-	-	-	-	3,228
-	-	-	-	-	-	-	-	133
-	-	-	(50)	-	-	-	-	(1,387)
-	-	-	-	-	-	-	-	(140)
-	-	-	-	-	-	-	-	(3,320)
-	-	-	-	-	-	-	-	(299)
-	-	-	-	-	-	-	-	(350)
-	-	(3)	-	(1)	-	-	-	(1,984)
3	-	-	-	7	-	-	-	(166)
-	-	-	-	(17)	-	-	-	(36)
-	-	-	-	-	-	-	-	(1,133)
-	-	-	-	-	-	-	-	7
-	-	-	-	(27)	-	-	-	(16)
(2)	(1)	-	-	8	-	-	-	568
-	-	-	-	-	-	-	-	155
(2)	-	(1)	-	-	-	-	-	363
-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	(2)
-	-	-	-	5	-	-	-	28
-	-	-	-	-	-	-	-	11
(2)	-	3	1	-	-	-	-	82
-	-	-	-	-	-	-	-	812
\$ 20	\$ (1)	23	\$ (49)	(78)	\$ -	\$ -	\$ -	12,663
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,875
-	-	-	-	-	-	-	-	838
-	-	-	-	-	-	-	-	(845)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,868

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for operations that provide goods or services to other agencies or programs of state government on a cost-reimbursement basis. A brief description of each Internal Service Fund follows:

Office Supplies & Equipment - Four internal service funds under the Departments of Fish, Wildlife and Parks (FWP Equipment, FWP Warehouse Inventory & FWP Office Supply) and Transportation (Highway Equipment) are used to account for inter- and intradepartmental sales and use of office supplies and equipment.

Employees Group Benefits - This fund receives employee (excluding higher education units) withholdings and State contributions to the medical self-insurance plan. The State contracted with Blue Cross and Blue Shield of Montana to oversee the administrative functions of the program.

Information Services Division (ISD) - State agencies and private users are assessed a fee for their use of the State's phone system, centralized data processing and systems design services provided by the Department of Administration.

MUS Group Insurance - This fund accounts for employee contributions to the Montana University System's (MUS) medical/dental self-insurance plan.

Admin. Insurance - The Department of Administration accounts for the State's property self-insurance program (including liability, property, flood, etc.) in this fund.

Motor Pool - State employees' transportation is provided by the Department of Transportation through a pool of vehicles. The cost of operating the Motor Pool are recovered through rental rates charged to user agencies based on the average operating costs per mile for each class of vehicle.

Admin. Supply - The Department of Administration accounts for the intragovernmental sales of office supplies and paper products to State agencies in this fund.

Publications & Graphics - Agencies are assessed a fee for duplicating, typesetting, forms design and graphic arts services.

Buildings & Grounds - Rent proceeds from State agencies are used to pay maintenance, security and landscaping costs for State-owned property.

Central Services - Funds are used by the Departments of Commerce, Labor and Industry and Office of Public Instruction for administrative services provided on a cost recovery basis to programs within the departments.

DEQ Indirect Cost Pool - This fund is used to account for funds collected as indirect costs from the operating units of the Department of Environmental Quality and used to fund the Department's indirect cost pool operations that provide services to the Department.

Mail & Messenger - This fund accounts for costs associated with intrastate government mail and package delivery.

Payroll Processing - This fund accounts for the payments received from State agencies for the costs associated with the processing of payroll warrants.

Warrant Processing - This fund accounts for the payments received from State agencies for the costs associated with the processing of all warrants other than payroll.

Investment Division - This fund accounts for costs associated with operations of the Board of Investments. The Board assists agencies in the investment of State funds. Costs of administering and accounting for each investment fund are allocated based on the dollar volume of investments held by user agencies.

Aircraft Operations - The Department of State Lands accounts for fees charged to users of State aircraft in this fund.

Legal Services - The Attorney General's Office and the Department of Justice charge other State agencies a fee for legal assistance. The Departments of Administration and Health & Environmental Quality fund legal services with intradepartmental fees.

Personnel Training - This fund accounts for fees charged State agencies for training State employees. The fees are used by the Department of Administration to pay instructors and purchase training materials.

Records Management - State agencies are assessed a fee for records storage and microfilm services provided by the Office of the Secretary of State.

Debt Collections - This fund accounts for fees charged for the collection of bad debts that have been transferred to the Department of Administration.

Local Government Admin. - This fund accounts for the costs incurred by the Administrator of the Local Government Assistance Division in the Department of Commerce and the allocation of these costs to other programs within the division.

Statewide Fueling Network - This fund accounts for the costs associated with the development of a statewide fueling network which will allow State agencies and local governments to utilize a single fueling network and management information system for all fueling transactions.

Natural Gas Procurement - State agencies are charged for the centralized payment of natural gas procurement and associated administrative costs as provided by the Department of Administration.

Admin. DP Unit - This fund accounts for data processing support costs incurred by General Fund and non-General Fund divisions within the Department of Administration.

STATE OF MONTANA
Combining Balance Sheet
Internal Service Funds
June 30, 1999
(Expressed in Thousands)

	HIGHWAY EQUIPMENT	EMPLOYEES GROUP BENEFITS	ISD	MUS GROUP INSURANCE	ADMIN. INSURANCE	FWP EQUIPMENT	MOTOR POOL
ASSETS:							
Cash/Cash Equivalents	\$ 2,268	\$ 3,176	\$ 519	\$ 6,662	\$ 1,510	\$ 914	\$ 89
Receivables (Net)	-	444	17	82	71	6	-
Due from Other Governments	13	-	-	-	-	7	-
Due from Component Units	-	-	244	1,655	-	2	-
Due from Other Funds	729	3	1,921	5	164	311	378
Inventories	-	-	-	-	-	-	-
Investments	-	28,699	-	-	5,247	-	-
Securities Lending Collateral	-	10,348	-	324	2,435	-	-
Land	-	-	-	-	-	-	236
Buildings/Improvements	-	-	-	-	-	-	-
Equipment	83,319	17	25,443	8	6	7,844	7,730
Construction in Progress	1,175	-	-	-	-	-	-
Accumulated Depreciation	(43,896)	(9)	(19,905)	(8)	(1)	(2,228)	(2,301)
Intangible Assets	-	-	596	-	-	-	-
Other Assets	-	-	20	-	-	-	-
TOTAL ASSETS	\$ 43,608	\$ 42,678	\$ 8,855	\$ 8,728	\$ 9,432	\$ 6,856	\$ 6,132
LIABILITIES/FUND EQUITY:							
Liabilities:							
Accounts Payable	\$ 138	\$ 1,588	\$ 701	\$ 978	\$ 134	\$ 32	\$ 29
Interfund Loans Payable	-	-	-	-	-	-	-
Due to Component Units	-	1	41	6	-	-	-
Due to Other Funds	181	26	304	8	268	2	8
Deferred Revenue	-	-	382	611	-	-	-
Lease/Installment Purchase Payable	-	-	4,073	-	-	-	-
Bonds/Notes Payable	-	-	-	-	-	-	4,709
Property Held in Trust	-	-	5	-	-	-	-
Securities Lending Liability	-	10,348	-	324	2,435	-	-
Compensated Absences Payable	557	70	930	46	72	4	14
Estimated Insurance Claims	-	6,903	-	1,878	17,100	-	-
Total Liabilities	876	18,936	6,436	3,851	20,009	38	4,760
Fund Equity:							
Contributed Capital	2,796	-	1,592	-	2	2,382	-
Retained Earnings:							
Unreserved	39,936	23,742	827	4,877	(10,579)	4,436	1,372
Total Fund Equity	42,732	23,742	2,419	4,877	(10,577)	6,818	1,372
TOTAL LIABILITIES/FUND EQUITY	\$ 43,608	\$ 42,678	\$ 8,855	\$ 8,728	\$ 9,432	\$ 6,856	\$ 6,132

ADMIN. SUPPLY	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER
\$ 232	\$ 668	\$ 755	\$ 387	\$ 317	\$ 200	\$ 37	233
32	-	-	-	-	-	-	15
-	-	-	-	-	-	-	-
33	3	-	7	10	4	-	1
160	250	372	523	171	371	9	151
532	130	-	-	-	-	169	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	561	-	-	-	-	-
153	1,176	195	275	185	173	-	426
-	-	-	-	-	-	-	-
(122)	(787)	(124)	(209)	(116)	(72)	-	(222)
-	-	-	-	-	-	-	2
7	-	10	-	8	-	-	135
\$ 1,027	\$ 1,440	\$ 1,769	\$ 983	\$ 575	\$ 676	\$ 215	741

\$ 50	\$ 167	\$ 118	\$ 211	\$ 10	\$ 54	- \$	1
-	-	-	-	-	-	-	77
1	-	-	1	1	-	-	-
15	46	134	194	104	57	-	14
-	-	-	-	-	-	-	-
-	-	561	-	-	-	-	94
-	-	-	-	-	-	-	-
-	-	-	-	31	-	-	-
-	-	-	-	-	-	-	-
45	87	94	221	313	280	-	47
-	-	-	-	-	-	-	-
111	300	907	627	459	391	-	233
-	-	5	11	14	271	85	-
916	1,140	857	345	102	14	130	508
916	1,140	862	356	116	285	215	508
\$ 1,027	\$ 1,440	\$ 1,769	\$ 983	\$ 575	\$ 676	\$ 215	741

(Continued on Next Page)

STATE OF MONTANA
Combining Balance Sheet - Continued
Internal Service Funds
June 30, 1999
(Expressed in Thousands)

	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION	JUSTICE LEGAL	OPI CENTRAL SERVICES	PERSONNEL TRAINING
ASSETS:							
Cash/Cash Equivalents	\$ 513	\$ 176	\$ 342	\$ 347	\$ 170	\$ 253	4
Receivables (Net)	-	-	-	-	-	-	2
Due from Other Governments	-	-	-	-	-	-	-
Due from Component Units	-	21	86	-	2	2	-
Due from Other Funds	2	67	37	47	140	76	14
Inventories	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Securities Lending Collateral	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-
Building Improvements	-	-	-	-	-	-	-
Equipment	-	47	73	25	-	-	6
Construction in Progress	-	-	-	-	-	-	-
Accumulated Depreciation	-	(32)	(36)	(19)	-	-	(5)
Intangible Assets	-	-	-	-	-	-	-
Other Assets	-	-	12	1	-	-	-
TOTAL ASSETS	\$ 515	\$ 279	\$ 514	\$ 401	\$ 312	\$ 331	21
LIABILITIES/FUND EQUITY:							
Liabilities:							
Accounts Payable	\$ -	\$ 5	\$ 25	\$ 26	\$ 4	\$ 3	-
Interfund Loans Payable	-	-	-	-	101	-	10
Due to Component Units	-	-	-	-	-	-	-
Due to Other Funds	385	195	78	12	169	112	8
Deferred Revenue	-	-	-	-	-	-	-
Lease/Installment Purchase Payable	-	-	-	-	-	-	-
Bonds/Notes Payable	-	-	-	-	-	-	-
Property Held in Trust	-	-	-	-	-	-	-
Securities Lending Liability	-	-	-	-	-	-	-
Compensated Absences Payable	20	10	190	41	101	82	13
Estimated Insurance Claims	-	-	-	-	-	-	-
Total Liabilities	405	210	293	79	375	197	31
Fund Equity:							
Contributed Capital	103	21	18	-	-	-	1
Retained Earnings:							
Unreserved	7	48	203	322	(63)	134	(11)
Total Fund Equity	110	69	221	322	(63)	134	(10)
TOTAL LIABILITIES/FUND EQUITY	\$ 515	\$ 279	\$ 514	\$ 401	\$ 312	\$ 331	21

RECORDS MANAGEMENT	FWP OFFICE SUPPLY	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$ 150	\$ 15	27	\$ 1	1	\$ 8	4	\$ 3	19,981
3	-	-	-	-	-	-	-	672
-	-	-	-	-	-	-	-	20
2	-	-	-	-	-	-	-	2,072
70	-	14	2	6	-	-	6	5,999
30	9	-	-	-	-	-	-	870
-	-	-	-	-	-	-	-	33,946
-	-	-	-	-	-	-	-	13,107
-	-	-	-	-	-	-	-	236
-	-	-	-	-	-	-	-	561
58	60	-	-	-	-	-	15	127,234
-	-	-	-	-	-	-	-	1,175
(42)	(45)	-	-	-	-	-	-	(70,179)
-	-	-	-	-	-	-	-	598
1	-	-	-	-	-	-	3	197
\$ 272	\$ 39	41	\$ 3	7	\$ 8	4	\$ 27	136,489

\$ 3	\$ 1	-	\$ -	-	\$ -	-	\$ -	4,278
-	-	-	2	-	-	-	-	190
-	-	-	-	-	-	-	-	51
129	2	5	1	6	-	1	5	2,469
19	-	-	-	-	-	-	-	1,012
-	-	-	-	-	-	-	-	4,728
-	-	-	-	-	-	-	-	4,709
-	-	-	-	-	-	-	-	36
-	-	-	-	-	-	-	-	13,107
26	1	11	16	37	-	-	9	3,337
-	-	-	-	-	-	-	-	25,881
177	4	16	19	43	-	1	14	59,798
6	25	-	-	-	3	-	-	7,335
89	10	25	(16)	(36)	5	3	13	69,356
95	35	25	(16)	(36)	8	3	13	76,691
\$ 272	\$ 39	41	\$ 3	7	\$ 8	4	\$ 27	136,489

STATE OF MONTANA

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

Internal Service Funds

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

	HIGHWAY EQUIPMENT	EMPLOYEES GROUP BENEFITS	ISD	MUS GROUP INSURANCE	ADMIN. INSURANCE	FWP EQUIPMENT	MOTOR POOL
OPERATING REVENUES:							
Charges for Services	\$ 16,117	\$ 3	\$ 23,593	\$ -	\$ 2	\$ 1,273	\$ 2,358
Investment Earnings	-	1,627	7	211	464	-	-
Securities Lending Income	-	415	-	15	151	-	-
Premiums	-	48,090	-	25,584	6,462	-	-
Other Operating Revenues	69	213	109	135	12	-	-
Total Operating Revenues	16,186	50,348	23,709	25,945	7,091	1,273	2,358
Intrafund Revenues	-	(4)	-	(58)	-	-	-
Net Operating Revenues	16,186	50,344	23,709	25,887	7,091	1,273	2,358
OPERATING EXPENSES:							
Personal Services	4,611	406	7,038	186	514	57	225
Contractual Services	704	1,180	1,800	1,407	3,036	84	45
Supplies/Materials	2,779	12	1,258	3	37	399	335
Benefits/Claims (Note 3)	-	53,009	2	19,522	2,869	-	-
Depreciation	4,251	3	2,664	-	1	343	1,008
Amortization	-	-	106	-	-	-	-
Utilities/Rent	64	15	3,171	-	21	12	8
Communications	9	35	7,060	2	20	3	2
Travel	20	3	147	1	14	2	-
Repair/Maintenance	2,518	1	1,214	-	-	402	102
Interest Expense	-	-	242	-	-	-	377
Securities Lending Expense	-	394	-	14	143	-	-
Other Operating Expenses	151	92	451	248	21	3	4
Total Operating Expenses	15,107	55,150	25,153	21,383	6,676	1,305	2,106
Intrafund Expenses	-	(4)	-	(58)	-	-	-
Net Operating Expenses	15,107	55,146	25,153	21,325	6,676	1,305	2,106
Operating Income (Loss)	1,079	(4,802)	(1,444)	4,562	415	(32)	252
NONOPERATING REVENUES (EXPENSES):							
Gain (Loss) Sale of Fixed Assets	105	-	(148)	-	-	26	(2)
Federal Indirect Cost Recoveries	-	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	105	-	(148)	-	-	26	(2)
Income (Loss) before Operating Transfers	1,184	(4,802)	(1,592)	4,562	415	(6)	250
Operating Transfers In	-	-	-	-	126	189	-
Operating Transfers Out	-	-	-	-	(239)	-	-
Net Income (Loss)	1,184	(4,802)	(1,592)	4,562	302	183	250
RETAINED EARNINGS - July 1 -							
As Previously Reported	38,749	28,544	1,123	315	(6,433)	3,092	1,119
Prior Period Adjustments	3	-	1,296	-	(4,448)	1,161	3
RETAINED EARNINGS - JULY 1 - As Restated	38,752	28,544	2,419	315	(10,881)	4,253	1,122
RETAINED EARNINGS - JUNE 30	\$ 39,936	\$ 23,742	\$ 827	\$ 4,877	\$ (10,579)	\$ 4,436	\$ 1,372

ADMIN. SUPPLY	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER
\$ 3,671	\$ 5,465	\$ 5,051	\$ 827	\$ 2,506	\$ 1,383	\$ 66	\$ 3,505
-	1	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1	1	9	-	7	-	1
3,671	5,467	5,052	836	2,506	1,390	66	3,506
-	-	-	-	-	-	-	-
3,671	5,467	5,052	836	2,506	1,390	66	3,506
336	863	906	1,303	2,039	1,625	-	374
29	39	1,758	94	145	380	2	12
3,497	4,130	171	99	73	90	59	15
-	-	-	-	-	-	-	-
6	99	48	6	19	22	-	41
1	1	-	4	3	-	-	2
83	82	1,553	89	98	75	1	48
16	27	18	31	43	41	-	2,728
-	2	7	13	19	8	-	3
5	167	603	19	17	8	-	88
-	-	-	-	1	-	-	4
-	-	-	-	-	-	-	-
9	24	85	36	136	20	-	6
3,982	5,434	5,149	1,694	2,593	2,269	62	3,321
-	-	-	-	-	-	-	-
3,982	5,434	5,149	1,694	2,593	2,269	62	3,321
(311)	33	(97)	(858)	(87)	(879)	4	185
-	(9)	-	-	(1)	-	-	(18)
-	-	-	860	94	895	-	-
-	(9)	-	860	93	895	-	(18)
(311)	24	(97)	2	6	16	4	167
-	-	59	-	-	-	-	-
-	-	(91)	-	-	-	-	-
(311)	24	(129)	2	6	16	4	167
1,217	1,109	985	342	88	-	126	341
10	7	1	1	8	(2)	-	-
1,227	1,116	986	343	96	(2)	126	341
\$ 916	\$ 1,140	\$ 857	\$ 345	\$ 102	\$ 14	\$ 130	\$ 508

(Continued on Next Page)

STATE OF MONTANA

Combining Statement of Revenues, Expenses and Changes in Retained Earnings - Continued

Internal Service Funds

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION	JUSTICE LEGAL	OPI CENTRAL SERVICES	PERSONNEL TRAINING
OPERATING REVENUES:							
Charges for Services	\$ 978	\$ 868	\$ 1,894	\$ 539	\$ 1,091	\$ 613	177
Investment Earnings	-	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-	-
Premiums	-	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	3	-
Total Operating Revenues	978	868	1,894	539	1,091	616	177
Intrafund Revenues	-	-	-	-	-	-	-
Net Operating Revenues	978	868	1,894	539	1,091	616	177
OPERATING EXPENSES:							
Personal Services	212	169	1,355	282	849	696	133
Contractual Services	272	184	119	32	116	193	23
Supplies/Materials	1	9	86	97	10	38	8
Benefits/Claims (Note 3)	-	-	-	-	-	-	-
Depreciation	-	8	9	1	-	-	-
Amortization	-	-	-	-	-	-	-
Utilities/Rent	8	7	83	47	36	69	9
Communications	7	385	40	10	11	74	8
Travel	-	-	37	17	7	5	11
Repair/Maintenance	1	5	3	219	5	45	-
Interest Expense	-	-	-	-	1	-	-
Securities Lending Expense	-	-	-	-	-	-	-
Other Operating Expenses	7	46	160	8	9	77	5
Total Operating Expenses	508	813	1,892	713	1,044	1,197	197
Intrafund Expenses	-	-	-	-	-	-	-
Net Operating Expenses	508	813	1,892	713	1,044	1,197	197
Operating Income (Loss)	470	55	2	(174)	47	(581)	(20)
NONOPERATING REVENUES (EXPENSES):							
Gain (Loss) Sale of Fixed Assets	-	-	(6)	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	612	-
Total Nonoperating Revenues (Expenses)	-	-	(6)	-	-	612	-
Income (Loss) before Operating Transfers	470	55	(4)	(174)	47	31	(20)
Operating Transfers In	-	-	-	343	-	-	-
Operating Transfers In	(376)	(125)	-	-	-	-	-
Net Income (Loss)	94	(70)	(4)	169	47	31	(20)
RETAINED EARNINGS - July 1 -							
As Previously Reported	(87)	118	207	153	(110)	102	9
Prior Period Adjustments	-	-	-	-	-	1	-
RETAINED EARNINGS - JULY 1 - As Restated	(87)	118	207	153	(110)	103	9
RETAINED EARNINGS - JUNE 30	\$ 7	\$ 48	\$ 203	\$ 322	\$ (63)	\$ 134	(11)

RECORDS MANAGEMENT	FWP OFFICE SUPPLY	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$ 498	\$ 63	\$ 174	\$ 58	\$ 133	\$ 9	\$ 1	\$ 150	73,066
-	-	-	-	-	-	-	-	2,310
-	-	-	-	-	-	-	-	581
-	-	-	-	-	-	-	-	80,136
28	-	-	-	-	-	-	-	588
526	63	174	58	133	9	1	150	156,681
-	-	-	-	-	-	-	-	(62)
526	63	174	58	133	9	1	150	156,619
332	27	129	59	119	-	-	126	24,971
73	1	29	2	2	-	-	10	11,771
35	26	7	1	2	2	-	3	13,282
-	-	-	-	-	-	-	-	75,402
13	5	-	-	-	-	-	-	8,547
-	-	-	-	-	-	-	-	117
59	1	4	1	-	-	-	1	5,645
12	1	6	1	2	2	-	1	10,595
1	-	2	-	-	4	-	1	324
10	12	-	-	-	-	-	4	5,448
-	-	-	-	-	-	-	-	625
-	-	-	-	-	-	-	-	551
4	-	5	2	11	1	-	5	1,626
539	73	182	66	136	9	-	151	158,904
-	-	-	-	-	-	-	-	(62)
539	73	182	66	136	9	-	151	158,842
(13)	(10)	(8)	(8)	(3)	-	1	(1)	(2,223)
-	-	-	-	-	-	-	-	(53)
-	-	-	-	-	-	-	-	2,461
-	-	-	-	-	-	-	-	2,408
(13)	(10)	(8)	(8)	(3)	-	1	(1)	185
-	-	-	-	-	-	-	-	717
-	-	-	-	-	-	-	-	(831)
(13)	(10)	(8)	(8)	(3)	-	1	(1)	71
102	20	33	(8)	(33)	5	2	(1)	71,229
-	-	-	-	-	-	-	15	(1,944)
102	20	33	(8)	(33)	5	2	14	69,285
\$ 89	\$ 10	\$ 25	\$ (16)	\$ (36)	\$ 5	\$ 3	\$ 13	69,356

STATE OF MONTANA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	HIGHWAY EQUIPMENT	EMPLOYEES GROUP BENEFITS	ISD	MUS GROUP INSURANCE	ADMIN. INSURANCE	FWP EQUIPMENT
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Sales and Services	\$ 16,245	\$ 48,141	\$ 23,538	\$ 24,655	\$ 6,306	\$ 1,296
Payments to Suppliers for Goods and Services	(6,247)	(1,136)	(14,756)	(1,582)	(3,283)	(989)
Payments to Employees	(4,499)	(413)	(6,898)	(141)	(500)	(54)
Grant Receipts	-	-	-	-	-	-
Cash Payments for Claims	-	(52,965)	-	(19,588)	(4,029)	-
Other Operating Revenue	-	213	110	136	12	-
Net Cash Provided by (Used for) Operating Activities	5,499	(6,160)	1,994	3,480	(1,494)	253
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Payment of Principal and Interest on Bonds and Notes	-	-	-	-	-	-
Proceeds from Issuance of Bonds and Notes	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	(98)	-
Transfers from Other Funds	-	-	-	-	126	-
Contributed Capital Transfers from Other Funds	-	-	-	-	-	143
Proceeds from Interfund Loans	-	176	-	-	-	-
Payment of Interfund Loans	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	176	-	-	28	143
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of Fixed Assets	(4,802)	-	(828)	-	-	(466)
Proceeds from Sale of Fixed Assets	277	-	-	-	-	103
Principal and Interest Payments on Bonds and Notes	-	-	(2,097)	-	-	-
Net Cash Used for Capital and Related Financing Activities	(4,525)	-	(2,925)	-	-	(363)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of Investments	-	(8,777)	-	-	(8,195)	-
Proceeds from Sales or Maturities of Investments	-	12,418	-	-	8,611	-
Proceeds from Securities Lending Transactions	-	425	-	15	157	-
Interest and Dividends on Investments	-	2,298	14	211	512	-
Payment of Securities Lending Costs	-	(405)	-	(14)	(150)	-
Net Cash Provided by (Used for) Investing Activities	-	5,959	14	212	935	-
Net Increase (Decrease) in Cash and Cash Equivalents	974	(25)	(917)	3,692	(531)	33
Cash and Cash Equivalents, July 1	1,294	3,201	1,436	2,970	2,041	881
Cash and Cash Equivalents, June 30	\$ 2,268	\$ 3,176	\$ 519	\$ 6,662	\$ 1,510	\$ 914

MOTOR POOL	ADMIN. SUPPLY	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER
\$ 2,204	\$ 3,627	\$ 5,579	\$ 4,865	\$ 831	\$ 2,473	\$ 1,258	\$ 61	\$ 3,400
(500)	(3,587)	(4,557)	(4,293)	(488)	(534)	(677)	(72)	(2,911)
(218)	(337)	(848)	(897)	(1,279)	(2,018)	(1,581)	-	(371)
-	-	-	-	846	106	991	-	-
-	-	-	-	-	-	-	-	-
-	-	1	1	-	-	-	-	1
1,486	(297)	175	(324)	(90)	27	(9)	(11)	119
(1,603)	-	-	-	-	-	-	-	-
502	-	-	-	-	-	-	-	-
-	-	-	(87)	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1	-	-
-	-	-	-	-	-	-	-	102
(1,100)	-	-	-	-	-	-	-	(126)
(2,201)	-	-	(87)	-	-	1	-	(24)
(539)	-	(123)	(32)	(37)	(7)	(39)	-	-
212	-	-	-	-	-	-	-	-
-	-	-	-	-	(1)	-	-	(26)
(327)	-	(123)	(32)	(37)	(8)	(39)	-	(26)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	7	1	1	1	-	-	-
-	-	-	-	-	-	-	-	-
-	-	7	1	1	1	-	-	-
(1,042)	(297)	59	(442)	(126)	20	(47)	(11)	69
1,131	529	609	1,197	513	297	247	48	164
\$ 89	\$ 232	\$ 668	\$ 755	\$ 387	\$ 317	\$ 200	\$ 37	\$ 233

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Internal Service Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION	JUSTICE LEGAL	OPI CENTRAL SERVICES
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Sales and Services	\$ 977	\$ 861	\$ 1,842	\$ 527	\$ 1,095	\$ 593
Payments to Suppliers for Goods and Services	(334)	(582)	(528)	(455)	(197)	(433)
Payments to Employees	(219)	(172)	(1,316)	(281)	(855)	(685)
Grant Receipts	-	-	-	-	-	660
Cash Payments for Claims	-	-	-	-	-	-
Other Operating Revenue	-	-	-	-	-	3
Net Cash Provided by (Used for)						
Operating Activities	424	107	(2)	(209)	43	138
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Payment of Principal and Interest on Bonds and Notes	-	-	-	-	-	-
Proceeds from Issuance of Bonds and Notes	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	343	-	-
Contributed Capital Transfers from Other Funds	-	-	-	-	-	-
Proceeds from Interfund Loans	-	-	-	-	120	-
Payment of Interfund Loans	-	-	-	-	(60)	-
Net Cash Provided by (Used for)						
Noncapital Financing Activities	-	-	-	343	60	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of Fixed Assets	-	-	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-	-	-
Principal and Interest Payments on Bonds and Notes	-	-	-	-	(1)	-
Net Cash Used for Capital and						
Related Financing Activities	-	-	-	-	(1)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of Investments	-	-	-	-	-	-
Proceeds from Sales or Maturities of Investments	-	-	-	-	-	-
Proceeds from Securities Lending Transactions	-	-	-	-	-	-
Interest and Dividends on Investments	-	-	-	-	-	1
Payment of Securities Lending Costs	-	-	-	-	-	-
Net Cash Provided by (Used for)						
Investing Activities	-	-	-	-	-	1
Net Increase (Decrease) in Cash and Cash Equivalents	424	107	(2)	134	102	139
Cash and Cash Equivalents, July 1	89	69	344	213	68	114
Cash and Cash Equivalents, June 30	\$ 513	\$ 176	\$ 342	\$ 347	\$ 170	\$ 253

PERSONNEL TRAINING	RECORDS MANAGEMENT	FWP OFFICE SUPPLY	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$ 183	\$ 527	\$ 63	\$ 157	\$ 55	\$ 132	\$ 10	1	146	\$ 151,648
(66)	(216)	(39)	(66)	(6)	(17)	(10)	-	(27)	(48,588)
(129)	(356)	(26)	(127)	(52)	(115)	-	-	(120)	(24,507)
-	-	-	-	-	-	-	-	-	2,603
-	-	-	-	-	-	-	-	-	(76,582)
-	-	-	-	-	-	-	-	-	477
(12)	(45)	(2)	(36)	(3)	-	-	1	(1)	5,051
-	-	-	-	-	-	-	-	-	(1,603)
-	-	-	-	-	-	-	-	-	502
-	-	-	-	-	-	-	-	-	(185)
-	-	-	-	-	-	-	-	-	469
-	-	-	-	-	-	-	-	-	144
10	89	-	-	2	-	-	-	-	499
-	-	-	-	-	-	-	-	-	(1,286)
10	89	-	-	2	-	-	-	-	(1,460)
-	-	-	-	-	-	-	-	-	(6,873)
-	-	-	-	-	-	-	-	-	592
-	-	-	-	-	-	-	-	-	(2,125)
-	-	-	-	-	-	-	-	-	(8,406)
-	-	-	-	-	-	-	-	-	(16,972)
-	-	-	-	-	-	-	-	-	21,029
-	-	-	-	-	-	-	-	-	597
-	-	-	-	-	-	-	-	-	3,046
-	-	-	-	-	-	-	-	-	(569)
-	-	-	-	-	-	-	-	-	7,131
(2)	44	(2)	(36)	(1)	-	-	1	(1)	2,316
6	106	17	63	2	1	8	3	4	17,665
\$ 4	\$ 150	\$ 15	\$ 27	\$ 1	\$ 1	\$ 8	4	3	\$ 19,981

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Internal Service Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	HIGHWAY EQUIPMENT	EMPLOYEES GROUP BENEFITS	ISD	MUS GROUP INSURANCE	ADMIN. INSURANCE	FWP EQUIPMENT
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ 1,079	\$ (4,802)	\$ (1,444)	\$ 4,562	\$ 415	(32)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Depreciation	4,251	3	2,664	-	1	343
Amortization	-	-	106	-	-	-
Interest on Investments	-	(1,627)	(7)	(211)	(464)	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Interest Expense	-	-	242	-	-	-
Securities Lending Expense	-	394	-	14	143	-
Securities Lending Income	-	(415)	-	(15)	(151)	-
Change in Assets and Liabilities:						
Decr (Incr) in Accounts Receivable	201	45	15	(82)	-	(4)
Decr (Incr) in Due From Other Governments	(2)	-	-	-	-	-
Decr (Incr) in Due From Other Funds	(114)	2	(337)	18	(164)	23
Decr (Incr) in Due From Component Units	-	-	(56)	(1,271)	-	(1)
Decr (Incr) in Inventories	-	-	-	-	-	-
Decr (Incr) in Other Assets	-	24	(20)	-	1	-
Incr (Decr) in Accounts Payable	(7)	(180)	188	6	(184)	(80)
Incr (Decr) in Due to Other Governments	-	-	(3)	-	-	-
Incr (Decr) in Due to Other Funds	74	(4)	86	4	6	1
Incr (Decr) in Due to Component Units	-	1	37	1	-	-
Incr (Decr) in Non-Capital Leases Payable	-	-	108	-	-	-
Incr (Decr) in Deferred Revenue	-	-	382	476	-	-
Incr (Decr) in Property Held in Trust	-	-	(59)	-	-	-
Incr (Decr) in Compensated Absences Payable	17	(4)	92	42	12	3
Incr (Decr) in Estimated Claims	-	403	-	(64)	(1,109)	-
Net Cash Provided by (Used for)						
Operating Activities	\$ 5,499	\$ (6,160)	\$ 1,994	\$ 3,480	\$ (1,494)	253
SCHEDULE OF NONCASH TRANSACTIONS:						
Fixed Asset Acquisitions from Capital Leases	\$ -	\$ -	\$ 3,055	\$ -	\$ -	-
Asset Acquisitions from Contributed						
Capital Transfers from Other Funds	126	-	-	-	-	-
Asset Disposals from Contributed Capital	-	-	-	-	-	-
Total Noncash Transactions	\$ 126	\$ -	\$ 3,055	\$ -	\$ -	-

MOTOR POOL	ADMIN. SUPPLY	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER
\$ 252	\$ (311)	33	\$ (97)	\$ (858)	\$ (87)	\$ (879)	4	\$ 185
1,008	6	99	48	6	19	22	-	41
-	1	1	-	4	3	-	-	2
-	-	(1)	-	-	-	-	-	-
-	-	-	-	860	94	895	-	-
377	-	-	-	-	1	-	-	4
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
13	(20)	-	-	-	-	-	-	(9)
-	-	-	-	-	-	-	-	-
(169)	(14)	104	(235)	(424)	(39)	(48)	(5)	(96)
1	(15)	10	-	(7)	(2)	1	-	(1)
-	44	(15)	-	-	-	-	(10)	-
-	(3)	-	(9)	-	(6)	-	-	(4)
(5)	12	(64)	(45)	160	3	(26)	-	-
-	-	-	-	-	-	-	-	-
8	4	(5)	11	149	26	(18)	-	4
-	1	-	-	1	1	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(8)
-	-	-	-	-	(17)	-	-	-
1	(2)	13	3	19	31	44	-	1
-	-	-	-	-	-	-	-	-
\$ 1,486	\$ (297)	175	\$ (324)	\$ (90)	27	\$ (9)	(11)	\$ 119
\$ -	\$ -	-	\$ 561	\$ -	\$ -	\$ -	\$ -	95
-	-	-	-	-	-	1	-	-
(10)	-	-	-	-	-	-	-	-
\$ (10)	\$ -	\$ -	\$ 561	\$ -	\$ -	1	\$ -	95

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Internal Service Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION	JUSTICE LEGAL	OPI CENTRAL SERVICES
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ 470	\$ 55	\$ 2	(174)	\$ 47	(581)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Depreciation	-	8	9	1	-	-
Amortization	-	-	-	-	-	-
Interest on Investments	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	612
Interest Expense	-	-	-	-	1	-
Securities Lending Expense	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Change in Assets and Liabilities:						
Decr (Incr) in Accounts Receivable	-	-	-	-	-	-
Decr (Incr) in Due From Other Governments	-	-	-	-	-	-
Decr (Incr) in Due From Other Funds	(2)	(6)	(9)	(12)	(20)	29
Decr (Incr) in Due From Component Units	-	(2)	(44)	-	(1)	(1)
Decr (Incr) in Inventories	-	-	-	-	-	-
Decr (Incr) in Other Assets	-	-	(2)	-	-	-
Incr (Decr) in Accounts Payable	-	2	(9)	(25)	2	(10)
Incr (Decr) in Due to Other Governments	-	-	-	-	-	-
Incr (Decr) in Due to Other Funds	(37)	54	21	3	(4)	80
Incr (Decr) in Due to Component Units	-	-	(1)	-	-	-
Incr (Decr) in Non-Capital Leases Payable	-	-	-	-	-	-
Incr (Decr) in Deferred Revenue	-	-	-	-	-	-
Incr (Decr) in Property Held in Trust	-	-	-	-	-	-
Incr (Decr) in Compensated Absences Payable	(7)	(4)	31	(2)	18	9
Incr (Decr) in Estimated Claims	-	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 424	\$ 107	(2)	(209)	\$ 43	138
SCHEDULE OF NONCASH TRANSACTIONS:						
Fixed Asset Acquisitions from Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	-
Asset Acquisitions from Contributed						
Capital Transfers from Other Funds	-	-	-	-	-	-
Asset Disposals from Contributed Capital	-	-	-	-	-	-
Total Noncash Transactions	\$ -	\$ -	\$ -	\$ -	\$ -	-

PERSONNEL TRAINING	RECORDS MANAGEMENT	FWP OFFICE SUPPLY	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$ (20) \$	(13) \$	(10) \$	(8) \$	(8) \$	(3) \$	- \$	1 \$	(1) \$	(2,223)
-	13	5	-	-	-	-	-	-	8,547
-	-	-	-	-	-	-	-	-	117
-	-	-	-	-	-	-	-	-	(2,310)
-	-	-	-	-	-	-	-	-	2,461
-	-	-	-	-	-	-	-	-	625
-	-	-	-	-	-	-	-	-	551
-	-	-	-	-	-	-	-	-	(581)
2	2	-	-	-	-	-	-	-	163
-	-	-	-	-	-	-	-	-	(2)
4	(28)	-	(13)	-	(1)	-	-	(3)	(1,559)
-	10	-	-	-	-	-	-	-	(1,379)
(1)	(9)	2	-	-	-	-	-	-	11
-	12	-	-	-	-	-	-	(4)	(11)
-	1	(1)	(13)	-	-	-	-	-	(275)
-	-	-	-	-	-	-	-	-	(3)
-	(25)	2	(3)	(2)	1	-	-	2	438
-	-	-	-	-	-	-	-	-	41
-	-	-	-	-	-	-	-	-	108
-	(11)	-	-	-	-	-	-	-	839
-	-	-	-	-	-	-	-	-	(76)
3	3	-	1	7	3	-	-	5	339
-	-	-	-	-	-	-	-	-	(770)
\$ (12) \$	(45) \$	(2) \$	(36) \$	(3) \$	- \$	- \$	1	(1) \$	5,051
\$ - \$	- \$	- \$	- \$	- \$	- \$	- \$	-	- \$	3,711
-	-	-	-	-	-	-	-	-	127
-	-	-	-	-	-	-	-	-	(10)
\$ - \$	- \$	- \$	- \$	- \$	- \$	- \$	-	- \$	3,828

TRUST AND AGENCY FUNDS

Trust and Agency Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include: (1) Expendable Trust Funds; (2) Nonexpendable Trust Funds; (3) Investment Trust Fund; and (4) Agency Funds.

STATE OF MONTANA
Combining Balance Sheet
All Trust and Agency Fund Types
June 30, 1999
(Expressed in Thousands)

	EXPENDABLE TRUSTS	NON- EXPENDABLE TRUSTS	INVESTMENT TRUST	AGENCY	TOTALS
ASSETS:					
Cash/Cash Equivalents	\$ 157,425	\$ 39,435	\$ 468,786	\$ 126,523	792,169
Receivables (Net)	5,102	15,084	1,013	69,743	90,942
Due from Other Governments	12	-	-	-	12
Due from Component Units	62	-	-	380	442
Due from Other Funds	219	880	-	14,567	15,666
Advances to Other Funds	-	-	-	30	30
Equity in Pooled Investments	63,920	934,866	-	-	998,786
Long-Term Loans Receivable	3,111	13	-	-	3,124
Investments	123,282	129,556	-	-	252,838
Securities Lending Collateral	15,941	152,832	25,064	479	194,316
Land	-	51,260	-	-	51,260
Other Assets	11	-	-	18,995	19,006
TOTAL ASSETS	\$ 369,085	\$ 1,323,926	\$ 494,863	\$ 230,717	2,418,591
LIABILITIES/FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 119	\$ 4,663	1,012	\$ 7,663	13,457
Interfund Loans Payable	25	34	-	225	284
Due to Component Units	13	369	-	3,346	3,728
Due to Other Funds	15	22,605	-	4,764	27,384
Deferred Revenue	-	29	-	-	29
Property Held in Trust	1,832	-	-	211,895	213,727
Securities Lending Liability	15,941	152,832	25,064	479	194,316
Other Liabilities	-	-	-	2,345	2,345
Total Liabilities	17,945	180,532	26,076	230,717	455,270
Fund Balances:					
Reserved for:					
Long-Term Loans	3,111	-	-	-	3,111
Trust Principal	179,924	1,140,486	-	-	1,320,410
Pool Participants	-	-	468,787	-	468,787
Unreserved	168,105	2,908	-	-	171,013
Total Fund Balances	351,140	1,143,394	468,787	-	1,963,321
TOTAL LIABILITIES/FUND BALANCES	\$ 369,085	\$ 1,323,926	\$ 494,863	\$ 230,717	2,418,591

EXPENDABLE TRUST FUNDS

Expendable Trust Funds are used to account for assets held by the State in a trustee capacity, where both the trust principal and earnings may be expended. A brief description of each Expendable Trust Fund follows:

Employees' Deferred Compensation - State employees may defer a part of their compensation for the purpose of investment. This fund accounts for employee withholdings transferred to investing entities for allocation to employee designated investment plans.

Unemployment Insurance - This fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of Montana's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients. Administrative costs are paid from a Special Revenue Fund.

Wildlife Mitigation - This fund accounts for resources received and expended for wildlife mitigation projects.

Local Government Trust - This fund accounts for the portion of oil and gas severance, alcohol, gambling and financial institution corporation taxes that are distributed to local governments.

Rural Development - This fund accounts for programs authorized under the Bankhead Jones Farm Tenant Act. Resources are used by the Department of Agriculture under a federal use agreement for the purpose of aiding low income rural families.

Rail Construction - This fund accounts for principal and interest amounts used to provide loans or grants in accordance with the Federal Rail Administration guidelines for new rail rehabilitation projects in Montana.

Escheated Property - This fund accounts for property that has reverted to the State due to the absence of legal claimants or heirs.

Labor & Industry Compensation Insurance - This fund accounts for the proceeds from liquidated security bonds held on deposit from self-insured employers and other insurance companies in lieu of participating in the State Compensation Insurance. Administrative costs of operating the fund are paid from a Special Revenue Fund.

Historical Society General Trust - Deposits of the principal amounts of various stocks donated by numerous contributors in trust to the Society and the Charles Bair Memorial are accounted for in this fund. The principal can be expended for acquisitions approved by the Board of Trustees.

Woodville Highway Replacement - This fund accounts for money paid to the Montana Department of Transportation by the Anaconda Company to provide the government of Butte-Silver Bow with traffic facilities to replace the abandoned portion of U.S. Highway 91.

Rural Physician - This fund accounts for the fee assessments, educational debt payments and administrative costs associated with the rural physician incentive program administered by the Board of Regents of Higher Education.

Haynes Trust - This fund accounts for principal and interest earnings for conservation and restoration of items in the Haynes collection donated to the society.

State Library Trust - This fund accounts for principal and interest earnings for donations to the State Library for their talking book library.

Cisco Academies - The trust distributes funds to support the ongoing needs of regional and local academies to train students in information technology skills.

School for Deaf & Blind - The School accounts for private donations in this fund.

STATE OF MONTANA
Combining Balance Sheet
Expendable Trust Funds
June 30, 1999
(Expressed in Thousands)

	EMPLOYEES DEFERRED COMP.	UNEMPLOYMENT INSURANCE	WILDLIFE MITIGATION	RURAL DEVELOPMENT	RAIL CONSTRUCTION
ASSETS:					
Cash/Cash Equivalents	\$ 3,913	\$ 142,124	\$ 4,549	\$ 1,162	\$ 815
Receivables (Net)	434	4,498	150	19	-
Due from Other Governments	-	12	-	-	-
Due from Component Units	62	-	-	-	-
Due from Other Funds	15	204	-	-	-
Equity in Pooled Investments	63,597	-	-	-	-
Long-Term Loans/Notes Receivable	-	-	-	2,018	1,093
Investments	111,963	-	11,319	-	-
Securities Lending Collateral	10,191	-	5,534	60	44
Other Assets	-	-	-	-	-
TOTAL ASSETS	\$ 190,175	\$ 146,838	\$ 21,552	\$ 3,259	\$ 1,952
LIABILITIES/FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ -	\$ 48	\$ 38	\$ 15	\$ -
Interfund Loans Payable	-	20	5	-	-
Due to Component Units	-	-	13	-	-
Due to Other Funds	-	1	7	3	-
Property Held in Trust	60	322	36	-	-
Securities Lending Liability	10,191	-	5,534	60	44
Total Liabilities	10,251	391	5,633	78	44
Fund Balances:					
Reserved for Long-Term Loans	-	-	-	2,018	1,093
Reserved for Employees Deferred Compensation	179,924	-	-	-	-
Unreserved	-	146,447	15,919	1,163	815
Total Fund Balances	179,924	146,447	15,919	3,181	1,908
TOTAL LIABILITIES/FUND BALANCES	\$ 190,175	\$ 146,838	\$ 21,552	\$ 3,259	\$ 1,952

ESCHEATED PROPERTY	L&I COMP INSURANCE	HISTORICAL SOCIETY GENERAL TRUST	WOODVILLE HIGHWAY REPLACEMENT	RURAL PHYSICIAN	HAYNES TRUST	STATE LIBRARY TRUST	CISCO ACADEMIES	TOTALS
\$ 2,905	\$ 678	\$ 328	\$ 228	\$ 615	\$ 20	\$ 61	\$ 27	157,425
-	-	-	-	1	-	-	-	5,102
-	-	-	-	-	-	-	-	12
-	-	-	-	-	-	-	-	62
-	-	-	-	-	-	-	-	219
-	-	323	-	-	-	-	-	63,920
-	-	-	-	-	-	-	-	3,111
-	-	-	-	-	-	-	-	123,282
-	36	26	12	33	1	3	1	15,941
-	-	-	-	11	-	-	-	11
\$ 2,905	\$ 714	\$ 677	\$ 240	\$ 660	\$ 21	\$ 64	\$ 28	369,085
\$ 12	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ 2	119
-	-	-	-	-	-	-	-	25
-	-	-	-	-	-	-	-	13
2	-	2	-	-	-	-	-	15
1,414	-	-	-	-	-	-	-	1,832
-	36	26	12	33	1	3	1	15,941
1,428	36	32	12	33	1	3	3	17,945
-	-	-	-	-	-	-	-	3,111
-	-	-	-	-	-	-	-	179,924
1,477	678	645	228	627	20	61	25	168,105
1,477	678	645	228	627	20	61	25	351,140
\$ 2,905	\$ 714	\$ 677	\$ 240	\$ 660	\$ 21	\$ 64	\$ 28	369,085

STATE OF MONTANA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

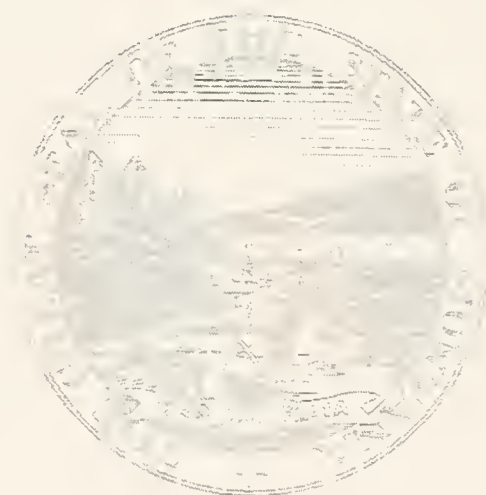
Expendable Trust Funds

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

	EMPLOYEES DEFERRED COMP.	UNEMPLOYMENT INSURANCE	WILDLIFE MITIGATION	RURAL DEVELOPMENT	RAIL CONSTRUCTION
REVENUES:					
Charges for Services/Fines/Forfeits	\$ -	\$ -	\$ -	1	\$ -
Investment Earnings	12,716	9,815	849	202	43
Securities Lending Income	546	-	249	5	3
Contributions/Premiums	10,367	59,620	-	-	-
Grants/Contracts/Donations	-	-	-	4	-
Federal	-	3,744	-	-	-
Total Revenues	23,629	73,179	1,098	212	46
EXPENDITURES:					
Current:					
General Government	7,151	-	-	-	-
Transportation	-	-	-	-	-
Education/Cultural	-	-	-	-	-
Resource Development/Recreation	-	-	535	-	-
Economic Development/Assistance	-	59,951	-	101	-
Capital Outlay	-	-	253	-	-
Securities Lending	523	-	238	5	3
Total Expenditures	7,674	59,951	1,026	106	3
Excess of Revenues Over (Under) Expenditures	15,955	13,228	72	106	43
OTHER FINANCING SOURCES (USES):					
Operating Transfers Out	-	-	(54)	-	-
Total Other Financing Sources (Uses)	-	-	(54)	-	-
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	15,955	13,228	18	106	43
FUND BALANCES - JULY 1 -					
As Previously Reported	163,969	133,219	15,901	3,075	1,865
Prior Period Adjustments	-	-	-	-	-
FUND BALANCES - JULY 1 - As Restated	163,969	133,219	15,901	3,075	1,865
FUND BALANCES - JUNE 30	\$ 179,924	\$ 146,447	\$ 15,919	\$ 3,181	\$ 1,908

ESCHEATED PROPERTY	L&I COMP INSURANCE	HISTORICAL SOCIETY GENERAL TRUST	WOODVILLE HIGHWAY REPLACEMENT	RURAL PHYSICIAN	HAYNES TRUST	STATE LIBRARY TRUST	CISCO ACADEMIES	SCHOOL FOR DEAF & BLIND	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 94	\$ -	\$ -	\$ -	\$ -	95
-	42	73	13	33	1	3	1	-	23,791
-	3	2	1	2	-	-	-	-	811
-	-	-	-	-	-	-	-	-	69,987
1,052	-	-	-	-	-	7	34	35	1,132
-	-	-	-	-	-	-	-	-	3,744
1,052	45	75	14	129	1	10	35	35	99,560
-	-	-	-	-	-	-	10	-	7,161
-	-	-	18	-	-	-	-	-	18
-	-	37	-	47	-	-	-	35	119
-	-	-	-	-	-	-	-	-	535
-	136	-	-	-	-	-	-	-	60,188
-	-	-	-	-	-	-	-	-	253
-	3	2	1	2	-	-	-	-	777
-	139	39	19	49	-	-	10	35	69,051
1,052	(94)	36	(5)	80	1	10	25	-	30,509
(278)	-	-	-	-	-	-	-	-	(332)
(278)	-	-	-	-	-	-	-	-	(332)
774	(94)	36	(5)	80	1	10	25	-	30,177
704 (1)	772 -	609 -	233 -	547 -	19 -	51 -	- -	- -	320,964 (1)
703	772	609	233	547	19	51	-	-	320,963
\$ 1,477	\$ 678	\$ 645	\$ 228	\$ 627	\$ 20	\$ 61	\$ 25	\$ -	\$ 351,140



NONEXPENDABLE TRUST FUNDS

Nonexpendable Trust Funds are used to account for assets held by the State in a trustee capacity, where the trust principal may not be expended. A brief description of each Nonexpendable Trust Fund follows:

Coal Tax Trust - This fund, created by Article IX, Section 5 of the Montana Constitution and administered by the Department of Revenue, receives 50% of all coal tax collections. Principal may be expended only upon affirmative vote by three-fourths of each house of the Legislature.

Land Grants - The Department of State Lands accounts for lands granted to the State for support of public schools and State institutions in this fund.

Resource Indemnity - Taxes paid by persons engaging in or carrying on the business of mining, extracting or producing minerals are deposited in this fund. Only the net earnings of the trust may be appropriated until the principal reaches \$100 million. Interest earnings are expended from a Special Revenue Fund. This fund is administered by the Department of Revenue.

Parks Trust and Cultural Trust - A portion of the coal severance taxes are credited to these funds by the Department of Revenue. Income from the trusts shall be used for the acquisition and maintenance of State parks and historical sites by the Department of Fish, Wildlife and Parks and for the protection of works of art in the State Capitol and other cultural projects through the Montana Arts Council.

Real Property Trust - Money received by the Department of Fish, Wildlife and Parks from the sale of real property, from the exploration and development of oil, gas and mineral deposits and from the lease of department real property is deposited in this fund. Interest is recorded in a Special Revenue Fund and used for developing and maintaining real property of the department.

Noxious Weed Management - The Department of Agriculture accounts for revenues and interest earned on fees charged for the control of noxious weeds in this fund.

Moore Sipple Connector - Money is held in trust to provide funds for the restructuring of the Geraldine-Lewistown Line.

Historical Society - Four funds (Jim Bradley Memorial, Thomas Teakle, Merritt Wheeler and Historical Society Acquisitions) account for memorials, bequests and various other contributions to the Montana Historical Society. Investment income is either expended from a Special Revenue Fund, Expendable Trust Fund or added to the principal.

Endowment for Children - The fund provides services and activities related to a broad range of child abuse and neglect prevention activities operated by non-profit or public community educational and service organizations.

STATE OF MONTANA
Combining Balance Sheet
Nonexpendable Trust Funds
June 30, 1999
(Expressed in Thousands)

	COAL TAX TRUST	LAND GRANTS	RESOURCE INDEMNITY	PARKS TRUST	CULTURAL TRUST	REAL PROPERTY
ASSETS:						
Cash/Cash Equivalents	\$ 26,883	\$ 9,852	\$ 1,649	\$ 120	\$ 83	\$ 341
Receivables (Net)	9,129	4,727	837	223	26	107
Due from Other Funds	23	808	-	-	21	27
Equity in Pooled Investments	480,543	338,654	96,777	14,131	3,790	-
Long-Term Loans/Notes Receivable	-	13	-	-	-	-
Investments	118,780	-	-	-	-	8,125
Securities Lending Collateral	76,699	53,741	15,257	2,227	596	3,157
Land	-	51,260	-	-	-	-
TOTAL ASSETS	\$ 712,057	\$ 459,055	\$ 114,520	\$ 16,701	\$ 4,516	\$ 11,757
LIABILITIES/FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 25	\$ 4,621	\$ -	\$ -	\$ -	\$ 13
Interfund Loans Payable	34	-	-	-	-	-
Due to Other Funds	11,791	7,297	2,755	185	101	87
Due to Component Units	-	369	-	-	-	-
Deferred Revenue	-	-	28	-	-	1
Securities Lending Liability	76,699	53,741	15,257	2,227	596	3,157
Total Liabilities	88,549	66,028	18,040	2,412	697	3,258
Fund Balances:						
Reserved for Trust Principal	623,508	390,119	96,480	14,289	3,819	8,499
Unreserved	-	2,908	-	-	-	-
Total Fund Balances	623,508	393,027	96,480	14,289	3,819	8,499
TOTAL LIABILITIES/FUND BALANCES	\$ 712,057	\$ 459,055	\$ 114,520	\$ 16,701	\$ 4,516	\$ 11,757

NOXIOUS WEED MANAGEMENT	MOORE SIPPLE CONNECTOR	JIM BRADLEY MEMORIAL	THOMAS TEAKLE	MERRITT- WHEELER MEMORIAL	HISTORICAL SOCIETY ACQUISITIONS	ENDOWMENT FOR CHILDREN	TOTALS
\$ 179	\$ 241	\$ 24	\$ 25	\$ 23	\$ 14	\$ 1	39,435
35	-	-	-	-	-	-	15,084
1	-	-	-	-	-	-	880
-	-	446	385	87	53	-	934,866
-	-	-	-	-	-	-	13
2,651	-	-	-	-	-	-	129,556
1,111	13	13	12	4	2	-	152,832
-	-	-	-	-	-	-	51,260
\$ 3,977	\$ 254	\$ 483	\$ 422	\$ 114	\$ 69	\$ 1	1,323,926
\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4,663
-	-	-	-	-	-	-	34
389	-	-	-	-	-	-	22,605
-	-	-	-	-	-	-	369
-	-	-	-	-	-	-	29
1,111	13	13	12	4	2	-	152,832
1,504	13	13	12	4	2	-	180,532
2,473	241	470	410	110	67	1	1,140,486
-	-	-	-	-	-	-	2,908
2,473	241	470	410	110	67	1	1,143,394
\$ 3,977	\$ 254	\$ 483	\$ 422	\$ 114	\$ 69	\$ 1	1,323,926

STATE OF MONTANA

Combining Statement of Revenues, Expenses and Changes in Fund Balances

Nonexpendable Trust Funds

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

	COAL TAX TRUST	LAND GRANTS	RESOURCE INDEMNITY	PARKS TRUST	CULTURAL TRUST	REAL PROPERTY
OPERATING REVENUES:						
Charges for Services	\$ -	\$ 5,598	\$ -	\$ -	\$ -	299
Investment Earnings	17,444	7,243	1,911	273	74	397
Securities Lending Income	4,199	2,939	831	120	33	114
Grants/Contracts/Donations	-	-	-	-	-	-
Taxes	18,849	-	901	479	-	-
Rentals/Leases/Royalties	-	20,918	-	-	-	109
Other Operating Revenues	-	9	-	-	-	-
Total Operating Revenues	40,492	36,707	3,643	872	107	919
OPERATING EXPENSES:						
Travel	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Securities Lending Expense	4,027	2,818	797	115	31	108
Other Operating Expenses	-	-	-	-	-	-
Total Operating Expenses	4,027	2,818	797	115	31	108
Income (Loss) before Operating Transfers	36,465	33,889	2,846	757	76	811
Operating Transfers In	-	26	-	-	-	-
Operating Transfers Out	(24,323)	(43,103)	(1,948)	(1,171)	(295)	(553)
Operating Transfers to Component Units	-	(2,093)	-	-	-	-
Net Income (Loss)	12,142	(11,281)	898	(414)	(219)	258
FUND BALANCES - JULY 1 -						
As Previously Reported	611,366	402,446	95,582	14,703	4,038	8,241
Prior Period Adjustments	-	1,862	-	-	-	-
FUND BALANCES - JULY 1 - As Restated	611,366	404,308	95,582	14,703	4,038	8,241
FUND BALANCES - JUNE 30	\$ 623,508	\$ 393,027	\$ 96,480	\$ 14,289	\$ 3,819	\$ 8,499

NOXIOUS WEED MANAGEMENT	MOORE SIPPLE CONNECTOR	JIM BRADLEY MEMORIAL	THOMAS TEAKLE	MERRITT- WHEELER MEMORIAL	HISTORICAL SOCIETY ACQUISITIONS	ENDOWMENT FOR CHILDREN	TOTALS
\$ - \$	- \$	- \$	- \$	- \$	- \$	4 \$	- \$ 5,901
286	13	77	67	16	10	-	27,811
52	1	1	1	-	-	-	8,291
-	-	-	-	-	-	1	1
32	-	-	-	-	-	-	20,261
-	-	-	-	-	-	-	21,027
-	-	-	-	-	-	-	9
370	14	78	68	16	14	1	83,301
-	-	1	-	-	-	-	1
-	13	-	-	-	-	-	13
49	1	1	1	-	-	-	7,948
-	-	2	-	-	-	-	2
49	14	4	1	-	-	-	7,964
321	-	74	67	16	14	1	75,337
-	-	-	-	-	-	-	26
(356)	-	-	(2)	-	-	-	(71,751)
-	-	-	-	-	-	-	(2,093)
(35)	-	74	65	16	14	1	1,519
2,508	241	396	345	94	53	-	1,140,013
-	-	-	-	-	-	-	1,862
2,508	241	396	345	94	53	-	1,141,875
\$ 2,473 \$	241 \$	470 \$	410 \$	110 \$	67 \$	1 \$	1,143,394

STATE OF MONTANA
Combining Statement of Cash Flows
Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

	COAL TAX TRUST	LAND GRANTS	RESOURCE INDEMNITY	PARKS TRUST	CULTURAL TRUST
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Sales and Services	\$ -	\$ 5,290	\$ -	\$ -	-
Grant Payments	-	-	-	-	-
Scholarship/Fellowship Payments	-	-	-	-	-
Other Operating Revenue	-	9	-	-	-
Net Cash Provided by (Used for) Operating Activities	-	5,299	-	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Collection of Taxes	17,603	-	873	447	-
Transfers to Other Funds	(50,739)	(42,106)	(7,494)	(1,252)	(418)
Transfers to Component Units	-	(2,093)	-	-	-
Transfers from Other Funds	-	26	-	-	-
Proceeds from Interfund Loans	(7)	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(33,143)	(44,173)	(6,621)	(805)	(418)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	(52,212)	(14,000)	-	(889)	(10)
Proceeds from Sales or Maturities of Investments	32,795	2,000	3,583	50	-
Proceeds from Securities Lending Transactions	4,199	2,939	831	120	33
Interest and Dividends on Investments	47,221	26,133	1,852	1,070	291
Payment of Securities Lending Costs	(4,026)	(2,818)	(797)	(115)	(31)
Collection of Rents/Leases/Royalties	-	20,890	-	-	-
Net Cash Provided by (Used for) Investing Activities	27,977	35,144	5,469	236	283
Net Increase (Decrease) in Cash and Cash Equivalents	(5,166)	(3,730)	(1,152)	(569)	(135)
Cash and Cash Equivalents, July 1	32,049	13,582	2,801	689	218
Cash and Cash Equivalents, June 30	\$ 26,883	\$ 9,852	\$ 1,649	\$ 120	\$ 83
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 36,465	\$ 33,889	\$ 2,846	\$ 757	76
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Taxes	(18,849)	-	(901)	(479)	-
Securities Lending Expense	4,027	2,818	797	115	31
Interest on Investments	(17,444)	(7,243)	(1,911)	(273)	(74)
Securities Lending Income	(4,199)	(2,939)	(831)	(120)	(33)
Rentals/Leases/Royalties	-	(20,918)	-	-	-
Change in Assets and Liabilities:					
Decr (Incr) in Due From Other Funds	-	(308)	-	-	-
Incr (Decr) in Accounts Payable	-	-	-	-	-
Incr (Decr) in Due to Other Funds	-	(15)	-	-	-
Incr (Decr) in Due to Component Units	-	15	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ -	\$ 5,299	\$ -	\$ -	-

REAL PROPERTY	NOXIOUS WEED MANAGEMENT	MOORE SIPPLE CONNECTOR	JIM BRADLEY MEMORIAL	THOMAS TEAKLE	MERRITT- WHEELER MEMORIAL	HISTORICAL SOCIETY ACQUISITIONS	ENDOWMENT FOR CHILDREN	TOTALS
\$ 298	\$ -	\$ -	\$ -	\$ -	\$ -	4	\$ -	5,592
-	-	(13)	-	-	-	-	-	(13)
-	-	-	(4)	-	-	-	1	(3)
-	-	-	-	-	-	-	-	9
298	-	(13)	(4)	-	-	4	1	5,585
-	32	-	-	-	-	-	-	18,955
(620)	(76)	-	-	(2)	-	-	-	(102,707)
-	-	-	-	-	-	-	-	(2,093)
-	-	-	-	-	-	-	-	26
(1)	-	-	-	-	-	-	-	(8)
(621)	(44)	-	-	(2)	-	-	-	(85,827)
(2,455)	(851)	-	-	-	-	(2)	-	(70,419)
1,260	467	-	-	-	-	2	-	40,157
114	52	1	1	1	-	-	-	8,291
506	320	13	9	8	3	2	-	77,428
(108)	(49)	(1)	(1)	(1)	-	-	-	(7,947)
105	-	-	-	-	-	-	-	20,995
(578)	(61)	13	9	8	3	2	-	68,505
(901)	(105)	-	5	6	3	6	1	(11,737)
1,242	284	241	19	19	20	8	-	51,172
\$ 341	\$ 179	\$ 241	\$ 24	\$ 25	\$ 23	\$ 14	\$ 1	\$ 39,435
\$ 811	\$ 321	\$ -	\$ 74	\$ 67	\$ 16	\$ 14	\$ 1	\$ 75,337
-	(32)	-	-	-	-	-	-	(20,261)
108	49	1	1	1	-	-	-	7,948
(397)	(286)	(13)	(77)	(67)	(16)	(10)	-	(27,811)
(114)	(52)	(1)	(1)	(1)	-	-	-	(8,291)
(109)	-	-	-	-	-	-	-	(21,027)
(1)	-	-	-	-	-	-	-	(309)
-	-	-	(1)	-	-	-	-	(1)
-	-	-	-	-	-	-	-	(15)
-	-	-	-	-	-	-	-	15
298	-	(13)	(4)	-	-	4	1	5,585

INVESTMENT TRUST FUND

The Investment Trust Fund is used to account for the investment by local government agencies in the Short Term Investment Pool (STIP), an external investment pool. A brief description of the Investment Trust Fund follows:

STIP Trust - this fund accounts for the receipt of monies by the Montana Board of Investments for investment in STIP and the distribution of related investment earnings to local government agencies.

STATE OF MONTANA
Statement of Plan Net Assets
Investment Trust Fund
June 30, 1999
(Expressed in Thousands)

	STIP TRUST
ASSETS:	
Cash/Cash Equivalents	\$ 468,786
Receivables (Net)	1,013
Securities Lending Collateral	25,064
TOTAL ASSETS	\$ 494,863
LIABILITIES:	
Accounts Payable	\$ 1,012
Securities Lending Liability	25,064
TOTAL LIABILITIES	26,076
Net Assets Held in Trust for Pool Participants	\$ 468,787

AGENCY FUNDS

The Agency Funds are used to account for assets held by the State as an agent for individuals, private organizations, other governments and other funds. A brief description of each Agency Fund follows:

Investment Pool - This fund accounts for idle cash invested on a pooled basis. Investment earnings on State funds are accounted for as revenue in either the fund providing the cash for investment or in the fund from which the earnings will be expended.

Land Grant Interest - This fund accounts for interest and income earnings on nonexpendable trusts administered by the Department of State Lands pending distribution to units of the university system and State institutions.

Performance Deposits - This fund accounts for deposits held by the State pending compliance with performance agreements.

Central Payroll - This fund accounts for the accumulation of State employees' payroll and withholdings by the State Auditor's Office pending remittance to employees and other appropriate third parties.

Workers' Comp Securities - This fund, administered by the Department of Labor and Industry, accounts for surety bonds, converting the bonds into cash to liquidate liabilities as necessary.

Custodial Accounts - This fund accounts for moneys belonging to State institution residents, students of the School for the Deaf and Blind, participants in the foster children and protective services programs and balances held by the Commissioner of Higher Education's Office for remittance, on behalf of eligible employees of the Montana University System, to the TIAA-CREF retirement fund.

Unissued Warrants - This fund reports the amount of warrants authorized by agency claims but not written or mailed by fiscal year-end.

Child Support Collections - This fund accounts for payments from parents under the Child Support Enforcement Program administered by the Department of Social & Rehabilitative Services.

Unclaimed Property - This fund accounts for property held by State agencies pending claim by the person entitled thereto. It includes proceeds from the sale of abandoned property, escheated and undistributed estates, stale-dated State warrants and unclaimed wages.

Intergovernmental - This fund accounts for resources that flow through State agencies to federal and local governments.

A & E Advances - This fund accounts for moneys advanced by other agencies to the Department of Administration's Architecture and Engineering (A & E) Division for minor capital projects. The capital outlay expenditures are recorded in the funds which advanced the money.

Uncleared Collections - This fund accounts for resources held pending distribution to other funds and local governments. Amounts due to other State funds have been recorded as a receivable and revenue in those funds.

Debt Collection - This fund accounts for amounts due to the State which have been written off as uncollectible by the receiving agency. The State Auditor's Office continues to attempt to collect amounts owing for a period of time after they are deemed uncollectible by the receiving agency.

Stock Estray - This fund accounts for the proceeds derived from the sale of estray animals.

STATE OF MONTANA
Combining Balance Sheet
Agency Funds
June 30, 1999
(Expressed in Thousands)

	INVESTMENT POOL	PERFORM. DEPOSITS	CENTRAL PAYROLL	WORKERS' COMP SECURITIES	CUSTODIAL ACCOUNTS	UNISSUED WARRANTS
ASSETS:						
Cash/Cash Equivalents	\$ 99,871	\$ 6,332	\$ 6,797	\$ -	\$ 1,018	\$ 5,257
Receivables (Net)	69,638	-	-	-	-	-
Due from Component Units	-	-	364	-	-	-
Due from Other Funds	-	-	14,432	-	5	97
Advances to Other Funds	-	30	-	-	-	-
Securities Lending Collateral	-	160	-	-	15	-
Other Assets	-	15,825	-	660	-	-
TOTAL ASSETS	\$ 169,509	\$ 22,347	\$ 21,593	\$ 660	\$ 1,038	\$ 5,354
LIABILITIES:						
Accounts Payable	\$ 7,289	\$ 62	\$ 35	\$ -	\$ 40	\$ -
Interfund Loans Payable	-	-	-	-	-	-
Due to Component Units	-	-	3,326	-	-	-
Due to Other Funds	28	951	169	-	167	2,427
Property Held in Trust	162,192	18,829	18,063	660	816	2,927
Securities Lending Liability	-	160	-	-	15	-
Other Liabilities	-	2,345	-	-	-	-
TOTAL LIABILITIES	\$ 169,509	\$ 22,347	\$ 21,593	\$ 660	\$ 1,038	\$ 5,354

	CHILD SUPPORT COLLECTIONS	UNCLAIMED PROPERTY	INTER- GOVERNMENTAL	UNCLEARED COLLECTIONS	DEBT COLLECTION	STOCK ESTRAY FUND	TOTALS
\$	555	\$ 37	\$ 6,073	\$ 460	\$ 123	- \$	126,523
	97	-	4	-	4	-	69,743
	9	1	-	6	-	-	380
	-	-	-	14	19	-	14,567
	-	-	-	-	-	-	30
	-	-	304	-	-	-	479
	-	-	2,455	-	-	55	18,995
\$	661	\$ 38	\$ 8,836	\$ 480	\$ 146	\$ 55	230,717

\$	- \$	1 \$	84 \$	3 \$	94 \$	55 \$	7,663
	225	-	-	-	-	-	225
	-	-	6	9	5	-	3,346
	1	-	617	379	25	-	4,764
	435	37	7,825	89	22	-	211,895
	-	-	304	-	-	-	479
	-	-	-	-	-	-	2,345
\$	661	\$ 38	\$ 8,836	\$ 480	\$ 146	\$ 55	230,717

STATE OF MONTANA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

FUND	BALANCE June 30, 1998	Additions	Deductions	BALANCE June 30, 1999
INVESTMENT POOL:				
ASSETS				
Cash/Cash Equivalents	\$ 129,946	\$ 28,245,736	\$ 28,275,811	\$ 99,871
Receivables (Net)	65,537	322,854	318,753	69,638
Equity in Pooled Investments	-	10,940,603	10,940,603	-
Investments	-	25,377,211	25,377,211	-
Securities Lending Collateral	-	1,768,960	1,768,960	-
Total Assets	\$ 195,483	\$ 66,655,364	\$ 66,681,338	\$ 169,509
LIABILITIES				
Accounts Payable	\$ 14,950	\$ 7,289	\$ 14,950	\$ 7,289
Due to Other Governments	-	1,172,405	1,172,405	-
Due to Other Funds	23	98	93	28
Property Held in Trust	180,510	13,059,446	13,077,764	162,192
Securities Lending Liability	-	1,768,960	1,768,960	-
Total Liabilities	\$ 195,483	\$ 16,008,198	\$ 16,034,172	\$ 169,509
LAND GRANT INTEREST:				
ASSETS				
Cash/Cash Equivalents	\$ 2	\$ 40	\$ 42	\$ -
Total Assets	\$ 2	\$ 40	\$ 42	\$ -
LIABILITIES				
Due to Other Funds	\$ -	\$ 3	\$ 3	\$ -
Due to Component Units	2	-	2	-
Total Liabilities	\$ 2	\$ 3	\$ 5	\$ -
PERFORM. DEPOSITS:				
ASSETS				
Cash/Cash Equivalents	\$ 7,110	\$ 33,264	\$ 34,042	\$ 6,332
Advances To Other Funds	30	-	-	30
Securities Lending Collateral	227	320	387	160
Other Assets	16,685	13,528	14,388	15,825
Total Assets	\$ 24,052	\$ 47,112	\$ 48,817	\$ 22,347
LIABILITIES				
Accounts Payable	\$ -	\$ 62	\$ -	\$ 62
Due to Other Funds	529	951	529	951
Property Held in Trust	20,022	21,457	22,650	18,829
Securities Lending Liability	227	320	387	160
Other Liabilities	3,274	8,815	9,744	2,345
Total Liabilities	\$ 24,052	\$ 31,605	\$ 33,310	\$ 22,347

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

FUND	BALANCE June 30, 1998	Additions	Deductions	BALANCE June 30, 1999
CENTRAL PAYROLL:				
ASSETS				
Cash/Cash Equivalents	\$ 14,696	\$ 446,563	\$ 454,462	\$ 6,797
Due from Other Funds	10,617	15,263	11,448	14,432
Due from Component Units	380	364	380	364
Total Assets	\$ 25,693	\$ 462,190	\$ 466,290	\$ 21,593
LIABILITIES				
Accounts Payable	\$ -	\$ 35	\$ -	\$ 35
Due to Other Funds	582	5,436	5,849	169
Due to Component Units	1,854	3,326	1,854	3,326
Property Held in Trust	23,257	450,265	455,459	18,063
Other Liabilities	-	12	12	-
Total Liabilities	\$ 25,693	\$ 459,074	\$ 463,174	\$ 21,593
WORKERS' COMP. SECURITIES:				
ASSETS				
Other Assets	\$ 660	\$ -	\$ -	\$ 660
Total Assets	\$ 660	\$ -	\$ -	\$ 660
LIABILITIES				
Property Held in Trust	\$ 660	\$ -	\$ -	\$ 660
Total Liabilities	\$ 660	\$ -	\$ -	\$ 660
CUSTODIAL ACCOUNTS:				
ASSETS				
Cash/Cash Equivalents	\$ 1,041	\$ 5,297	\$ 5,320	\$ 1,018
Due from Other Funds	-	124	119	5
Securities Lending Collateral	19	30	34	15
Total Assets	\$ 1,060	\$ 5,451	\$ 5,473	\$ 1,038
LIABILITIES				
Accounts Payable	\$ -	\$ 40	\$ -	\$ 40
Due to Other Funds	2	169	4	167
Property Held in Trust	1,039	5,463	5,686	816
Securities Lending Liability	19	30	34	15
Total Liabilities	\$ 1,060	\$ 5,702	\$ 5,724	\$ 1,038

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

FUND	BALANCE June 30, 1998	Additions	Deductions	BALANCE June 30, 1999
UNISSUED WARRANTS:				
ASSETS				
Cash/Cash Equivalents	\$ 2,304	\$ 2,729,401	\$ 2,726,448	\$ 5,257
Receivables (Net)	-	161,631	161,631	-
Due from Other Funds	111	97	111	97
Total Assets	\$ 2,415	\$ 2,891,129	\$ 2,888,190	\$ 5,354
LIABILITIES				
Accounts Payable	\$ -	\$ 17,240	\$ 17,240	\$ -
Due to Other Funds	2,253	2,427	2,253	2,427
Property Held in Trust	162	2,773,766	2,771,001	2,927
Total Liabilities	\$ 2,415	\$ 2,793,433	\$ 2,790,494	\$ 5,354
CHILD SUPPORT COLLECTIONS:				
ASSETS				
Cash/Cash Equivalents	\$ 428	\$ 53,000	\$ 52,873	\$ 555
Receivables (Net)	228	36	167	97
Due from Other Funds	-	17	17	-
Due from Component Units	7	9	7	9
Total Assets	\$ 663	\$ 53,062	\$ 53,064	\$ 661
LIABILITIES				
Due to Other Funds	\$ -	\$ 3	\$ 2	\$ 1
Interfund Loans Payable	300	225	300	225
Property Held in Trust	363	40,387	40,315	435
Total Liabilities	\$ 663	\$ 40,615	\$ 40,617	\$ 661
UNCLAIMED PROPERTY:				
ASSETS				
Cash/Cash Equivalents	\$ 19	\$ 112	\$ 94	\$ 37
Due from Other Funds	-	1	1	-
Due from Component Units	-	1	-	1
Total Assets	\$ 19	\$ 114	\$ 95	\$ 38
LIABILITIES				
Accounts Payable	\$ -	\$ 1	\$ -	\$ 1
Property Held in Trust	19	115	97	37
Total Liabilities	\$ 19	\$ 116	\$ 97	\$ 38

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

FUND	BALANCE June 30, 1998	Additions	Deductions	BALANCE June 30, 1999
INTERGOVERNMENTAL:				
ASSETS				
Cash/Cash Equivalents	\$ 2,486	\$ 123,341	\$ 119,754	\$ 6,073
Receivables (Net)	4	5	5	4
Due from Other Funds	-	2,569	2,569	-
Due from Other Governments	1	-	1	-
Securities Lending Collateral	142	986	824	304
Investments	-	8	8	-
Other Assets	2,765	178	488	2,455
Total Assets	\$ 5,398	\$ 127,087	\$ 123,649	\$ 8,836
LIABILITIES				
Accounts Payable	\$ 95	\$ 87	\$ 98	\$ 84
Due to Other Governments	2,124	166	2,290	-
Due to Other Funds	-	8,570	7,953	617
Due to Component Units	-	6	-	6
Property Held in Trust	3,037	7,615	2,827	7,825
Securities Lending Liability	142	986	824	304
Total Liabilities	\$ 5,398	\$ 17,430	\$ 13,992	\$ 8,836
A & E ADVANCES:				
ASSETS				
Cash/Cash Equivalents	\$ -	\$ 13	\$ 13	\$ -
Due from Other Funds	-	13	13	-
Total Assets	\$ -	\$ 26	\$ 26	\$ -
LIABILITIES				
Due to Other Funds	\$ -	\$ 13	\$ 13	\$ -
Total Liabilities	\$ -	\$ 13	\$ 13	\$ -
UNCLEARED COLLECTIONS:				
ASSETS				
Cash/Cash Equivalents	\$ 19,133	\$ 230,315	\$ 248,988	\$ 460
Receivables (Net)	11	359	370	-
Due from Other Funds	14	2,704	2,704	14
Due from Component Units	24	6	24	6
Securities Lending Collateral	378	-	378	-
Total Assets	\$ 19,560	\$ 233,384	\$ 252,464	\$ 480
LIABILITIES				
Accounts Payable	\$ 18	\$ 4	\$ 19	\$ 3
Due to Other Funds	18,817	2,965	21,403	379
Due to Component Units	-	9	-	9
Property Held in Trust	347	1,082	1,340	89
Other Liabilities	-	228,742	228,742	-
Securities Lending Liability	378	-	378	-
Total Liabilities	\$ 19,560	\$ 232,802	\$ 251,882	\$ 480

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
For the Fiscal Year Ended June 30, 1999
(Expressed in Thousands)

FUND	BALANCE June 30, 1998	Additions	Deductions	BALANCE June 30, 1999
DEBT COLLECTION:				
ASSETS				
Cash/Cash Equivalents	\$ 349	\$ 2,789	\$ 3,015	123
Receivables (Net)	2	130,783	130,781	4
Due from Other Funds	52	19	52	19
Due from Component Units	1	-	1	-
Total Assets	\$ 404	\$ 133,591	\$ 133,849	146
LIABILITIES				
Accounts Payable	\$ 12	\$ 93	\$ 11	94
Due to Other Funds	48	39	62	25
Due to Component Units	9	5	9	5
Property Held in Trust	335	1,912	2,225	22
Total Liabilities	\$ 404	\$ 2,049	\$ 2,307	146
STOCK ESTRAY FUND:				
ASSETS				
Cash/Cash Equivalents	\$ 11	\$ 4,865	\$ 4,876	-
Other Assets	20	110	75	55
Total Assets	\$ 31	\$ 4,975	\$ 4,951	55
LIABILITIES				
Accounts Payable	\$ 31	\$ 55	\$ 31	55
Total Liabilities	\$ 31	\$ 55	\$ 31	55

(Continued on Next Page)

STATE OF MONTANA

Combining Statement of Changes in Assets and Liabilities - Continued

Agency Funds

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

FUND	BALANCE June 30, 1998	Additions	Deductions	BALANCE June 30, 1999
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash/Cash Equivalents	\$ 177,525	\$ 31,874,736	\$ 31,925,738	\$ 126,523
Receivables (Net)	65,782	615,668	611,707	69,743
Due from Other Funds	10,794	20,807	17,034	14,567
Due from Component Units	412	380	412	380
Due from Other Governments	1	-	1	-
Advances to Other Funds	30	-	-	30
Equity in Pooled Investments	-	10,940,603	10,940,603	-
Investments	-	25,377,219	25,377,219	-
Securities Lending Collateral	766	1,770,296	1,770,583	479
Other Assets	20,130	13,816	14,951	18,995
TOTAL ASSETS	\$ 275,440	\$ 70,613,525	\$ 70,658,248	\$ 230,717
LIABILITIES				
Accounts Payable	\$ 15,106	\$ 24,906	\$ 32,349	\$ 7,663
Interfund Loans Payable	300	225	300	225
Due to Other Governments	2,124	1,172,571	1,174,695	-
Due to Other Funds	22,254	20,674	38,164	4,764
Due to Component Units	1,865	3,346	1,865	3,346
Property Held in Trust	229,751	16,361,508	16,379,364	211,895
Securities Lending Liability	766	1,770,296	1,770,583	479
Other Liabilities	3,274	237,569	238,498	2,345
TOTAL LIABILITIES	\$ 275,440	\$ 19,591,095	\$ 19,635,818	\$ 230,717

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is maintained to account for fixed assets acquired or constructed for use in operations which are accounted for in governmental funds. These include all fixed assets except those of the Enterprise, Internal Service, Expendable Trust, Nonexpendable Trust, Pension Trust and Higher Education Funds.

STATE OF MONTANA

Schedule of General Fixed Assets by Source

June 30, 1999

(Expressed in Thousands)

General Fixed Assets:

Land	\$	62,186
Buildings/Other Improvements		328,806
Equipment		63,478
Other Fixed Assets		49,650
Construction in Progress		38,134
Total General Fixed Assets	\$	<u>542,254</u>

Investments in General Fixed Assets From:

General Fund Fixed Assets	\$	292,925
State Special Revenue Fund Fixed Assets		142,414
Federal Special Revenue Fund Fixed Assets		42,501
Capital Projects Fund Fixed Assets		20,489
Expendable Trust Fund Fixed Assets		317
Donated Fixed Assets		43,608
Total Investments in General Fixed Assets	\$	<u>542,254</u>

STATE OF MONTANA
Schedule of General Fixed Assets by Function and Activity
June 30, 1999
(Expressed in Thousands)

Function and Activity	Land	Buildings and Improvements	Equipment	Other Fixed Assets	Total
General Government					
Legislative	\$ -	\$ -	531	5	536
Executive	2,649	42,526	3,446	48	48,669
Judicial	-	-	172	606	778
Total General Government	2,649	42,526	4,149	659	49,983
Public Safety/Corrections					
Law Enforcement	384	20,494	9,618	6	30,502
Corrections	2,404	57,376	4,756	-	64,536
Professional/Business Regulation	-	-	1,415	-	1,415
Safety	-	-	107	-	107
Total Public Safety/Corrections	2,788	77,870	15,896	6	96,560
Transportation	5,795	39,729	13,075	-	58,599
Health/Social Services					
Health/Environment	138	422	3,681	-	4,241
Social Serv/Welfare/Mentl Hlth	113	51,899	10,055	43	62,110
Veterans Affairs	33	288	43	-	364
Total Health/Social Services	284	52,609	13,779	43	66,715
Educational/Cultural					
Educational	1,157	78,931	2,319	1,630	84,037
Cultural	186	3,774	122	47,303	51,385
Total Educational/Cultural	1,343	82,705	2,441	48,933	135,422
Resource Development/Recreation					
Health/Environment	9	-	37	-	46
Resource Development	-	65	5,398	-	5,463
Recreation	48,754	26,655	4,667	9	80,085
Agricultural	-	-	1,405	-	1,405
Total Resource Development/Recreation	48,763	26,720	11,507	9	86,999
Economic Development/Assistance	564	6,647	2,631	-	9,842
Total Fixed Assets Allocated to Functions	\$ 62,186	\$ 328,806	\$ 63,478	\$ 49,650	504,120
Construction in Progress					38,134
Total General Fixed Assets				\$	542,254

STATE OF MONTANA

Schedule of Changes in General Fixed Assets by Function and Activity

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

Function and Activity	General Fixed Assets July 1, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
General Government				
Legislative	\$ 644	\$ 5	\$ 113	536
Executive	48,371	891	593	48,669
Judicial	778	121	121	778
Total General Government	49,793	1,017	827	49,983
Public Safety/Corrections				
Law Enforcement	29,850	1,500	848	30,502
Corrections	56,367	8,474	305	64,536
Professional/Business Regulation	1,246	205	36	1,415
Safety	107	-	-	107
Health/Environment	-	-	-	-
Total Public Safety/Corrections	87,570	10,179	1,189	96,560
Transportation	56,847	3,103	1,351	58,599
Health/Social Services				
Health/Environment	3,796	451	6	4,241
Social Services/Welfare/Mental Health	62,689	453	1,032	62,110
Mental Health	-	-	-	-
Veterans Affairs	364	220	220	364
Total Health/Social Services	66,849	1,124	1,258	66,715
Educational/Cultural				
Educational	86,417	469	2,849	84,037
Cultural	50,999	403	17	51,385
Total Educational/Cultural	137,416	872	2,866	135,422
Resource Development/Recreation				
Health/Environment	46	-	-	46
Resource Development	5,330	471	338	5,463
Recreation	77,875	5,484	3,274	80,085
Agricultural	1,330	90	15	1,405
Total Resource Development/Recreation	84,581	6,045	3,627	86,999
Economic Development/Assistance	8,271	1,707	136	9,842
Construction in Progress	23,362	16,987	2,215	38,134
Total General Fixed Assets	\$ 514,689	\$ 41,034	\$ 13,469	\$ 542,254



Montana



Statistical and Economic Data

Financial presentations included in this section provide users with an historical perspective through detailed data on economic and social characteristics, financial trends and fiscal capacity of the State.

Why I like Montana



I love to see the animals romping
around, living their life in freedom!

4th grade
Rachael Jones

**STATE OF MONTANA
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years
(Expressed in Thousands)**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Licenses/Permits (1)	\$ 55,229	\$ 74,152	\$ 82,744	\$ 92,773	\$ 98,852	\$ 106,109	\$ 110,043	\$ 112,761	\$ 116,706	\$ 117,950
Taxes (1)	776,368	864,057	850,916	1,003,849	1,026,025	1,080,529	997,874	1,041,840	1,120,907	1,191,607
Chrgs-Srvs./Fines/Forts.	56,929	43,678	52,527	53,775	58,872	69,781	66,367	93,629	128,298	150,176
Investment Earnings	37,263	31,655	24,791	20,715	19,993	29,267	28,594	28,741	33,370	33,569
Securities Lending Income	-	-	-	-	-	-	-	8,346	6,737	6,841
Sale-Doc./Mdse./Prop.	5,548	17,146	18,091	17,055	19,905	18,987	6,776	5,828	8,211	6,884
Rentals/Leases/Royalties	363	528	397	451	321	180	220	212	210	420
Contributions/Premiums	3,199	4,113	3,355	3,466	3,617	3,773	4,165	4,211	4,414	4,451
Grants/Contrts./Donations	8,473	7,004	3,611	3,682	7,782	8,448	9,232	7,759	10,813	12,306
Federal	451,107	532,244	585,047	667,468	684,001	714,629	880,300	853,051	903,877	970,943
Federal IDC Recoveries	1,790	1,823	1,738	1,817	2,344	2,602	1,685	1,937	1,916	1,922
Other Revenues	2,078	2,367	2,792	4,503	2,301	1,135	1,552	972	1,491	5,230
Totals	\$ 1,398,347	\$ 1,578,767	\$ 1,626,009	\$ 1,869,554	\$ 1,924,013	\$ 2,035,440	\$ 2,106,808	\$ 2,159,287	\$ 2,336,950	\$ 2,502,299

**STATE OF MONTANA
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years
(Expressed in Thousands)**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
General Government (1)	\$ 54,402	\$ 111,570	\$ 117,114	\$ 117,691	\$ 113,617	\$ 140,573	\$ 71,699	\$ 81,646	\$ 125,612	\$ 135,083
Public Safety/Corrections	80,804	87,121	100,864	105,870	110,026	118,668	119,221	128,247	177,320	186,840
Transportation	259,438	280,416	287,768	285,055	297,577	297,708	322,142	325,182	332,626	381,684
Health/Social Services	405,008	482,864	539,052	620,915	611,529	673,330	770,506	788,429	811,041	837,669
Education/Cultural	335,865	441,392	445,180	487,657	486,203	491,544	551,604	555,610	594,972	590,859
Resource Dev./Recreation	55,100	63,426	71,791	70,847	68,926	93,309	69,264	92,972	90,229	98,417
Economic Dev./Assistance	76,363	86,272	79,998	86,504	100,224	100,448	106,792	105,752	110,439	120,476
Debt Service:										
Principal Retirement	12,268	13,244	34,344	22,115	18,113	67,459	42,921	24,027	25,398	37,074
Interest/Fiscal Chrgs.	21,186	21,111	23,042	24,332	16,340	18,932	18,039	15,010	18,483	21,227
Capital Outlay	33,576	24,256	25,935	23,455	32,574	71,723	57,020	70,182	68,714	74,007
Securities Lending	-	-	-	-	-	-	-	7,887	6,542	6,477
Totals	\$ 1,334,010	\$ 1,611,672	\$ 1,725,088	\$ 1,844,441	\$ 1,855,129	\$ 2,073,694	\$ 2,129,208	\$ 2,194,944	\$ 2,361,376	\$ 2,489,813

NOTE: (1) Fiscal year 1991 includes the first year of distribution to local governments of oil and gas severance taxes and a significant increase in the reimbursement to local governments for loss of property tax revenue associated with the reduction of class 8 property tax rates.

STATE OF MONTANA
PROPERTY TAX LEVIES AND COLLECTIONS (1)
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Total Tax Levy (a)	Total Tax Collections (b)	Percent of Total Tax Collections to Tax Levy
1990	\$ 11,705	\$ 13,475	115.1 %
1991	68,418	69,490	101.6
1992	73,815	90,230	122.2
1993	172,568	221,426	128.3
1994 (2)	181,047	215,573	119.1
1995	186,648	218,614	117.1
1996	193,423	218,398	112.9
1997	195,993	222,858	113.7
1998	200,432	216,204	107.9
1999	201,789	216,593	107.3

- NOTES:
- (1) Property taxes are levied in one fiscal year and collected in subsequent fiscal years (i.e., the fiscal year column relates to the column "Total Tax Collections" only). The increase in fiscal year 1991 is due to the school equalization aid levy of 40 mills established by the 1989 Legislature.
- (2) The significant increase in fiscal year 1993 is because county equalization revenues are sent directly to the State as of July 1, 1992.

- SOURCES:
- (a) Montana Department of Revenue Reports to the Legislature
(b) Montana Statewide Budgeting and Accounting System

STATE OF MONTANA
TAXABLE AND MARKET (ASSESSED) VALUE OF PROPERTY (1)
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Taxable to Total Market (Assessed) Value
	Taxable Value	Assessed Value	Taxable Value	Assessed Value	Taxable Value	Assessed Value	
1990	\$ 1,274,023	\$ 22,082,879	\$ 272,948	\$ 3,988,239	\$ 1,546,971	\$ 26,071,118	5.9 %
1991	1,303,834	23,534,838	291,388	4,248,460	1,595,222	27,783,298	5.7
1992	1,336,544	24,156,048	296,079	4,265,243	1,632,623	28,421,291	5.7
1993	1,430,246	26,492,508	301,701	4,401,371	1,731,947	30,893,879	5.6
1994	1,470,069	30,836,551	316,996	4,549,629	1,787,065	35,386,180	5.1
1995	1,512,074	31,712,386	326,263	4,674,861	1,838,337	36,387,247	5.1
1996	1,567,119	32,929,317	300,500	4,791,337	1,867,619	37,720,654	5.0
1997	1,637,694	34,402,312	277,587	4,784,840	1,915,281	39,187,152	4.9
1998	1,680,207	35,543,519	261,813	5,018,523	1,942,020	40,562,042	4.8
1999	1,631,973	35,199,114	267,100	5,216,726	1,899,073	40,415,840	4.7

NOTE: (1) Taxable property in Montana must be assessed at 100% of its market value except mining property and agricultural lands. Mining property is assessed based on net and gross proceeds from mineral production. The assessment on agricultural land is based on productive capacity

Taxable value is that against which the mill levy is applied. These values are arrived at by the appropriate ratios found in Montana's Classification Act to the assessed values (e.g., the taxable value of residential property is 3.794% of its assessed value).

The increase in Fiscal Year 1994 Assessed Value of Real Property was primarily due to the application of updated Agricultural Land valuation schedules.

SOURCE: Montana Department of Revenue Reports to the Legislature

**STATE OF MONTANA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$100 of Taxable Value)
Last Ten Fiscal Years**

Fiscal Year	State of Montana Special Revenue					Total
	Funds	Schools	Counties	Cities	Miscellaneous	
1989	.61	16.59	6.45	3.72	2.01	29.38
1990	4.35 (1)	16.19	6.93	4.66	2.33	34.46
1991 (2)	10.55	11.54	6.51	4.60	2.32	35.52
1992	10.58	11.87	6.70	4.60	2.32	36.07
1993	10.45	13.69	6.64	4.54	2.57	37.89
1994	10.44	14.74	6.86	4.50	2.85	39.39
1995	10.52	15.27	7.02	4.56	2.80	40.17
1996	10.49	15.99	7.33	4.85	2.83	41.49
1997	10.46	16.31	7.32	4.84	2.86	41.79
1998	10.39	16.57	7.29	5.11	2.9	42.26

NOTES: (1) The significant increase in 1990 is due to the school equalization aid levy of 40 mills established by the 1989 Legislature.

(2) The significant increase in 1991 is due to the change of the school equalization aid levy to 95 mills and State assumption of welfare established by the 1991 Legislature.

SOURCE: Department of Revenue Reports to the Legislature

**STATE OF MONTANA
PROPERTY TAX MILL LEVY FOR STATE PURPOSES
Last Ten Levy Years**

This portion of the property tax levy was developed to provide a nondiscriminatory method of financing public education in Montana. The State has statutory authority to levy up to six mills for the support of the State's higher education system. The General Fund is responsible for making up any deficiencies in the equalization system. In addition, the Legislature is directed by law to levy at each legislative session a tax of up to two mills on all taxable property in the State to provide for any deficiencies in the General Fund.

Levy Year	Higher Education System	Vo-Tech Centers	Primary & Secondary Schools	Total Mill Levy
1990	6.00	1.50	95.00	102.50
1991	6.00	1.50	95.00	102.50
1992	6.00	1.50	95.00	102.50
1993	6.00	1.50	95.00	102.50
1994	6.00	1.50	95.00	102.50
1995	6.00	1.50	95.00	102.50
1996	6.00	1.50	95.00	102.50
1997	6.00	1.50	95.00	102.50
1998	6.00	1.50	95.00	102.50
1999	6.00	1.50	95.00	102.50

Each mill represents one dollar of tax levied on each thousand dollars worth of taxable property. The amount of property taxes needed for the year (net levy) is divided by the percentage determined collectible. This gross levy is then divided by the assessed valuation to arrive at the mill levy. The increase in the mill levy for 1990 was due to the 10 mill increase for primary and secondary schools and the state equalization aid levy of 40 mills established by the 1989 Legislature.

SOURCE: Montana Department of Revenue - Research and Information Division

STATE OF MONTANA
RATIO OF DIRECT STATE DEBT TO
ASSESSED VALUE AND DIRECT
STATE DEBT PER CAPITA
Last Ten Fiscal Years

(Expressed in Thousands)				Direct State Debt Per	
Fiscal Year	Population (3) (a)	Assessed Value (1) (4) (b)	Direct State Debt (2)	Assessed Value	Capita
1990	799	\$ 26,071,118	\$ 78,110	0.30 %	\$ 97.76
1991	808	27,783,297	70,050	0.25	86.70
1992	822	28,421,291	60,140	0.21	73.16
1993	840	30,893,879	43,945	0.14	52.32
1994	855	35,386,179	66,070	0.19	77.27
1995	868	36,387,247	78,000	0.21	89.86
1996	877	37,720,655	69,620	0.18	79.38
1997	879	39,187,152	96,620	0.25	109.92
1998	880	40,562,042	187,005	0.46	212.75
1999	N/A	40,415,840	197,020	0.49	223.89 *

N/A - Data not available.

* Calculated using 1998 population data.

- NOTES: (1) Beginning in 1988 the assessed value does not include exempt property.
 (2) Includes only General Obligation Bonds.
 (3) Numbers include revisions made by the U.S. Department of Commerce, Bureau of Economic Analysis for all prior years shown.
 (4) The increase in fiscal year 1994 Assessed Value of Real Property is due primarily to the application of updated Agricultural Land valuation schedules.

- SOURCES: (a) U.S. Department of Commerce, Bureau of Economic Analysis
 (b) Montana Department of Revenue Reports to the Legislature

STATE OF MONTANA
RATIO OF ANNUAL DEBT SERVICE TO
TOTAL GENERAL EXPENDITURES
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Total Debt Service	Total General Expenditures	Ratio
1990	\$ 33,454	\$ 1,334,010	2.51 %
1991	34,355	1,611,671	2.13
1992	57,387	1,725,088	3.33
1993	46,447	1,844,441	2.52
1994	34,453	1,855,129	1.86
1995	86,391	2,073,694	4.17
1996	60,960	2,129,208	2.86
1997	39,037	2,194,943	1.78
1998	43,881	2,361,376	1.86
1999	58,301	2,489,813	2.34

SOURCE: Montana Financial Reports 1990-1999

STATE OF MONTANA
REVENUE BOND COVERAGE
HIGHER EDUCATION
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	
				Total	Coverage
1989 \$	37,611 \$	27,900 \$	9,711 \$	7,060	1.38
1990	42,010	30,314	11,696	7,829	1.49
1991	45,314	33,707	11,607	7,240	1.60
1992	48,732	35,012	13,720	7,712	1.78
1993	45,695	32,322	13,373	6,983	1.92
1994	50,349	33,768	16,581	6,627	2.50
1995	51,592	35,450	16,142	7,865	2.05
1996	50,315	37,357	12,958	8,931	1.45
1997	68,641	39,016	29,625	12,675	2.34
1998	73,791	41,011	32,780	13,573	2.42

SOURCE: Annual audit reports for each entity.

STATE OF MONTANA
REVENUE BOND COVERAGE
MONTANA BOARD OF HOUSING
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	
				Total	Coverage
1990 \$	57,002 \$	3,025 \$	53,977 \$	49,002	1.10
1991	58,050	2,613	55,437	50,314	1.10
1992	56,653	2,699	53,954	50,703	1.06
1993	50,604	2,631	47,973	47,113	1.02
1994	48,083	2,097	45,986	38,299	1.20
1995	38,971	2,128	36,843	31,511	1.17
1996	39,504	2,414	37,090	32,379	1.15
1997	39,926	2,572	37,354	32,814	1.14
1998	44,782	2,754	42,028	34,100	1.23
1999	40,858	2,986	37,872	35,167	1.08

SOURCE: Montana Statewide Budgeting and Accounting System.

STATE OF MONTANA
REVENUE BOND COVERAGE
ECONOMIC DEVELOPMENT BONDS
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	
				Total	Coverage
1990	\$ 2,962	\$ 187	\$ 2,775	3,211	0.86
1991	3,477	186	3,291	4,041	0.81
1992	4,490	266	4,224	3,558	1.19
1993	3,177	188	2,989	3,221	0.93
1994	3,287	162	3,125	2,884	1.08
1995	3,107	172	2,935	2,940	1.00
1996	3,323	195	3,128	2,860	1.09
1997	3,064	174	2,890	2,477	1.17
1998	3,595	203	3,392	2,953	1.15
1999	3,927	222	3,705	2,883	1.29

SOURCE: *Montana Statewide Budgeting and Accounting System.*

STATE OF MONTANA
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS (1)
Last Ten Fiscal Years
(Expressed in Thousands, except for number of permits)

Construction (a)					
Calendar Year	Residential		Commercial		
	Number of Permits Issued	Valuation*	Number of Permits Issued	Cost of Construction	Bank Deposits (b)
1989	595	\$ 54,997	512	\$ 58,233	\$ 7,701,270
1990	809	87,980	629	75,836	7,959,440
1991	1,160	115,925	589	93,974	8,392,081
1992	7,250	170,421	2,082	110,084	8,518,003
1993	7,856	225,526	2106	109,366	8,632,027
1994	8,299	232,816	1699	163,141	8,911,559
1995	7,768	224,309	N/A	N/A	9,056,329
1996	7,277	209,238	N/A	N/A	9,586,233
1997	6,732	204,551	N/A	N/A	10,024,966
1998	6,880	N/A	N/A	N/A	10,618,040

* N/A - Data not available

NOTE: (1) Numbers include revisions made by the U.S. Department of Commerce, Bureau of Economic Analysis for prior years shown.
Permit data collection process revised in 1992 (permits issued only).

Property (Assessed) Values (c)						
Fiscal Year	Agriculture (2)	Commercial/ Industrial	Personal/ Real (3)	Utilities	Other **	Total
1990	\$ 2,498,949	\$ 4,863,281	\$ 14,644,470	\$ 3,696,089	\$ 368,329	\$ 26,071,118
1991	2,549,181	4,913,732	15,557,151	4,347,227	416,006	27,783,297
1992	2,591,978	4,995,511	15,975,557	4,488,297	369,947	28,421,290
1993	2,574,254	5,647,162	17,683,533	4,631,563	357,367	30,893,880
1994	4,494,808	5,616,507	20,193,046	4,755,568	326,251	35,366,180
1995	4,414,591	5,830,273	20,944,164	4,886,362	311,857	36,387,247
1996	4,523,548	6,032,812	21,541,079	5,212,178	411,037	37,720,654
1997	4,546,414	6,306,477	22,436,871	5,589,074	308,316	39,187,152
1998	4,573,340	6,593,141	23,382,144	5,713,097	300,320	40,562,042
1999	4,873,002	6,651,311	22,767,150	5,821,297	303,080	40,415,840

** Other property includes mining, coal and miscellaneous.

NOTES: (1) Nontaxable property value information is not available.
Construction data is reported on a calendar year basis.
Bank deposits are the aggregate of State Banks and Trust Companies, National Banks, Savings and Loans and Credit Unions.
(2) The increase in Fiscal Year 1994 Assessed Value of Agricultural Property is due primarily to the application of updated Agricultural Land valuation schedules.
(3) For 1993 and prior years, farmstead property (ranch/farm houses) is included as Agricultural property. For 1994, farmstead property is included as Personal/Real property.

SOURCES: (a) U.S. Department of Commerce - Bureau of the Census
(b) Montana Department of Commerce - State Banks and Trust Companies, National Banks and Credit Unions
Federal Home Loan Bank of Seattle - Savings and Loans
(c) Montana Department of Revenue Reports to the Legislature

STATE OF MONTANA
INCOME DATA
Last Ten Calendar Years

Total Personal Income (2)
(Millions)

Year	Montana		Rocky Mountain Region (1)		United States	
	Amount	Percent Increase	Amount	Percent Increase	Amount	Percent Increase
1989	\$ 11,349		\$ 114,579		\$ 4,480,624	
1990	12,028	6.0 %	123,662	7.9 %	4,778,306	6.6 %
1991	12,883	7.1	131,548	6.4	4,947,591	3.5
1992	13,605	5.6	140,968	7.2	5,239,364	5.9
1993	14,761	8.5	152,805	8.4	5,469,485	4.4
1994	15,038	1.9	162,235	6.2	5,741,050	5.0
1995	15,881	5.6	174,645	7.6	6,059,091	5.5
1996	16,546	4.2	186,887	7.0	6,408,103	5.8
1997	17,276	4.4	199,598	6.8	6,770,650	5.7
1998	17,827	3.2	213,643	7.0	7,158,176	5.7
Average Annual Rate of Growth		5.17 %		7.17 %		5.34 %

Per Capita Income (2)

Year	Montana		Rocky Mountain Region (1)		United States	
	Amount	Percent Increase	Amount	Percent Increase	Amount	Percent Increase
1989	\$ 14,193		\$ 15,839		\$ 18,153	
1990	15,038	6.0 %	16,943	7.0 %	19,156	5.5 %
1991	15,947	6.0	17,674	4.3	19,623	2.4
1992	16,541	3.7	18,472	4.5	20,547	4.7
1993	17,571	6.2	19,482	5.5	21,220	3.3
1994	17,590	0.1	20,128	3.3	22,056	3.9
1995	18,286	4.0	21,194	5.3	23,059	4.5
1996	18,872	3.2	22,304	5.2	24,164	4.8
1997	19,660	4.2	23,414	5.0	25,288	4.7
1998	20,247	3.0	24,668	5.4	26,482	4.7
Average Annual Rate of Growth		4.04 %		5.06 %		4.28 %

NOTES: (1) The Rocky Mountain Region includes Montana, Colorado, Idaho, Utah and Wyoming.

(2) Numbers include revisions made by the U.S. Department of Commerce, Bureau of Economic Analysis for prior years shown.

SOURCE: U.S. Department of Commerce - Bureau of Economic Analysis

STATE OF MONTANA
PUBLIC EDUCATION INSTITUTIONS
ENROLLMENT (1)
Last Ten Fiscal Years

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
TOTAL GRADES PRE-K-12 (a)	151,149	152,898	155,263	159,991	163,020	164,341	165,547	164,592	162,319	159,988
MONTANA UNIVERSITY SYSTEM (b)										
University of Montana	8,587	8,852	9,482	9,602	9,655	9,720	9,910	10,269	10,451	10,538
Montana State University	9,543	9,501	9,491	9,946	10,018	10,022	10,285	10,349	10,209	10,374
Montana Tech of the UM	1,499	1,612	1,694	1,728	1,763	1,660	1,679	1,718	1,656	1,642
Western Montana College of the UM	877	915	974	969	1,006	1,065	1,082	1,031	1,032	970
Montana State University -Billings	3,354	3,408	3,139	3,240	3,267	3,252	3,276	3,221	3,401	3,337
Montana State University - Northern	1,581	1,765	1,907	1,603	1,675	1,654	1,495	1,501	1,490	1,515
TOTAL UNIVERSITIES	25,441	26,053	26,687	27,088	27,384	27,373	27,727	28,089	28,239	28,376
COLLEGES OF TECHNOLOGY (b)										
College of Technology - Billings	334	280	291	453	427	414	436	462	472	507
Division of Technology - Butte	280	248	251	313	347	320	329	363	354	334
MSU College of Technology - GF	503	479	466	556	605	686	727	714	705	745
UM College of Technology - Helena	436	418	434	440	432	452	468	543	663	664
College of Technology - Missoula	446	454	435	551	573	630	629	749	794	766
TOTAL COLLEGES OF TECHNOLOGY	1,999	1,879	1,877	2,313	2,384	2,502	2,589	2,831	2,988	3,016

NOTE: (1) The University System and Colleges of Technology enrollment is based on fiscal year full-time equivalent enrollment.

SOURCES: (a) Montana Office of Public Instruction
(b) Montana Commissioner of Higher Education

**STATE OF MONTANA
DEMOGRAPHIC STATISTICS
Last Ten Years**

Fiscal Year	Population (1) (3) (a)	Per Capita Income (1) (3) (a)	Public School Enrollment Pre-K-12 (2) (b)	Montana University System Enrollment (2) (b)	Average Montana Unemployment Rate (c)	Average U.S. Unemployment Rate (c)	Average Civilian Labor Force (c)	Average Total Employment (c)	Average Unemployment (c)
1990	799,000	\$ 15,038	151,149	25,441	5.5 %	5.3 %	408,025	385,608	22,430
1991	808,000	15,947	152,898	26,053	6.6	6.2	401,625	375,333	26,292
1992	822,000	16,541	155,263	26,687	6.7	7.4	408,125	379,292	28,833
1993	840,000	17,571	159,991	27,088	6.5	7.2	417,000	393,200	24,700
1994	855,000	17,590	163,020	29,768	4.1	6.0	445,100	426,100	19,000
1995	868,000	18,286	164,341	29,875	5.5	5.6	443,500	419,500	24,000
1996	877,000	18,872	165,547	30,316	5.3	5.3	456,600	432,900	23,700
1997	879,000	19,660	164,592	30,920	5.0	5.0	465,200	442,600	22,600
1998	880,000	20,247	162,319	31,227	5.4	4.5	470,500	445,800	24,700
1999	N/A	N/A	159,988	31,392	4.9	4.3	478,700	455,900	22,800

N/A - Data not available

NOTES:

- (1) Based on calendar year.
- (2) Based on academic year - includes public schools (pre-K-12) and State-owned universities and colleges.
- (3) Numbers include revisions made by U.S. Department of Commerce, Bureau of Economic Analysis for prior years shown.

SOURCES:

- (a) U.S. Department of Commerce - Bureau of Economic Analysis
- (b) Montana Office of Public Instruction - public schools
Montana Commissioner of Higher Education - universities and colleges
- (c) Montana Department of Labor and Industry - Research Bureau

**STATE OF MONTANA
EMPLOYMENT IN MONTANA INDUSTRIES (1)
(Thousands of Persons)
Last Ten Years**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Durable Goods	13.7	14.0	13.3	14.1	14.2	14.3	14.4	14.8	14.9	15.2
Non-Durable Goods	8.3	8.4	8.4	8.5	8.8	8.8	8.9	9.0	9.2	9.3
Mining	6.3	6.3	6.0	5.8	5.7	5.4	5.3	5.4	5.4	5.2
Contract Construction	9.7	10.4	11.2	13.4	13.7	15.2	16.2	17.0	17.9	18.8
Transportation	12.3	12.4	12.5	12.5	12.5	13.0	13.1	9.0	10.6	10.1
Communications/Utilities	7.7	7.7	7.8	7.6	7.8	7.8	7.7	11.7	11.5	11.5
Wholesale Trade	15.6	15.8	16.0	16.5	16.9	17.8	18.4	18.4	18.7	19.0
Retail Trade	62.0	62.6	65.1	68.8	70.3	75.0	77.9	79.3	80.3	81.4
Finance/Insurance/Real Estate	13.2	13.3	13.8	14.3	14.8	15.7	15.6	16.0	16.4	17.0
Medical/Health Services	24.7	26.0	26.4	27.7	28.8	30.7	31.2	32.1	32.5	32.9
Other Services	46.9	49.6	50.6	54.0	58.7	61.0	65.1	69.7	72.3	74.2
Federal Government	13.6	13.9	13.0	13.3	13.3	13.7	13.1	12.8	12.7	12.7
State Colleges/Universities	9.8	9.9	10.2	10.6	10.8	11.2	11.4	11.6	12.0	12.3
Other State Government	10.8	11.0	11.3	11.3	11.0	10.9	11.0	11.1	11.1	11.2
Local Education	22.7	22.7	23.2	24.4	25.3	25.6	26.3	26.1	26.3	26.8
Other Local Government	13.2	13.4	13.4	14.4	13.9	14.6	15.0	14.9	14.7	15.3
Total Non-Farm Wage/ Salary Jobs (2)	290.5	297.4	302.2	317.2	326.5	340.7	350.6	358.9	366.5	372.9

SOURCES: (1) Montana Department of Labor and Industry - Research and Analysis Bureau
(2) Establishment Data - a count of jobs by where people work

STATE OF MONTANA
MAJOR PRIVATE EMPLOYERS IN MONTANA *
(Listed Alphabetically)

1. Albertsons (retail trade services)
2. Benefis Healthcare (hospital services)
3. Billings Deaconess Medical Center and Clinic (hospital/other health services)
4. K-Mart Corporation (retail trade services)
5. Leavenworth Health Services (hospital services)
6. Montana Power Company (utility services, mining)
7. Plum Creek Timber and Manufacturing (wood products manufacturing)
8. Providence Services (hospital services)
9. Town Pump (retail trade services)
10. Wal-Mart Stores Incorporated (retail trade services)

SOURCE: Montana Department of Labor and Industry

** The three largest Montana employers are public: Montana State Government (19,188 employees), Montana Local Government units (38,639 employees) and the U.S. Government (12,648 employees). Information based on 1998 data.*

STATE OF MONTANA
(The Treasure State)
"Big Sky Country"
MISCELLANEOUS STATISTICS
June 30, 1999

Date of Statehood (1)	November 8, 1889 - 41st state
Form of Government (2)	Legislative-Executive-Judicial
Land Area - 4th largest state (1)	145,392 square miles
Population Density (based on 1998 population)	6 persons per square mile
Miles of Paved Public Roads (3)	17,598
Higher Education (4):	
State-Owned Universities and Colleges	6
Colleges of Technology	5
Recreation (5):	
Number of State Parks	41
Number of Managed Sites (camping/fishing)	361
National Parks (Glacier and Yellowstone)	2
State Employees (full-time equivalent) (6)	15,536

- SOURCES:*
- (1) *Official Montana 1994-95 Highway Map*
 - (2) *Montana Code Annotated*
 - (3) *Montana Department of Transportation*
 - (4) *Montana Commissioner of Higher Education*
 - (5) *Montana Department of Fish, Wildlife & Parks*
 - (6) *State of Montana Office of Budget and Program Planning*





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